FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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STRAUSS LEVI ASSOCIATES INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

FORM 10-K ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 27, 1994 Commission file number: 33-762

LEVI STRAUSS ASSOCIATES INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2973849
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification Number)

1155 Battery Street, San Francisco, California 94111
(Address of principal executive offices)

Registrant's telephone number, including area code (415) 544-6000

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate value of the registrant's voting stock held by non-affiliates, at $134 per share (based on the latest independent valuation), was approximately $52.7 million at January 16, 1995.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class of Common Stock	Outstanding at January 16, 1995
Class E common stock, $.10 par value	1,360,546 shares
Class L common stock, $.10 par value	51,256,159 shares

Documents incorporated by reference: None

FORM 10-K

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

All percentage changes in this report are based on unrounded amounts.

PART I

ITEM 1. BUSINESS

OVERVIEW

Levi Strauss Associates Inc. (the Company) acquired Levi Strauss & Co. (LS&CO.) in 1985 and is the world's largest brand-name apparel manufacturer. It designs, manufactures and markets apparel for men, women and children, including jeans, slacks, shirts, jackets, skirts and fleece. Most of its products are marketed under the Levi's(R) and Dockers(R) trademarks and are sold in the United States and in many other locations throughout North and South America, Europe, Asia and Oceania. These products are produced throughout the world by the Company at owned and operated facilities or by independent contractors.

The Company's revenues are derived mostly from the sale of jeans and jeans-related products. Jeans are casual pants, which typically have a four or five pocket construction and are made of 100 percent cotton denim. Jeans can also be made of corduroy, twill and other fabrics. These and other jeans-related products generated approximately 72 percent of the Company's total sales in 1994 ($4.4 billion of $6.1 billion) and are the mainstays of the Company's profitability. Casual sportswear (mostly natural fiber pants and tops marketed under the Dockers(R) brand) have also become an important source of revenues in the U.S.

The worldwide apparel market is characterized by constant change and diversity. It is affected by demographic fluctuations in the consumer population, frequent shifts in prevailing fashions and styles, international trade and economic developments, and retailer practices. The Company has historically enjoyed its largest brand share and customer base for jeans among men, especially those aged 15-24 years old, and, to a lesser extent, those aged 25 and over. The demographics of the U.S. and many other industrialized countries outside the U.S. reflect aging populations and declining target markets.

The Company's market success is dependent on the Company's ability to quickly and effectively initiate and/or respond to changes in market trends and other consumer preferences, especially now that consumers worldwide are becoming more price and value conscious and many competitors are offering lower priced and innovative products. This increasing price consciousness is putting pressure on brand and product loyalty. The ongoing competitive nature of the apparel industry and market trends present a continuous risk that new products or market segments may emerge and compete with the Company's existing products and/or markets.

The Company's business is also dependent on the quality of service the Company provides to its customers. Retailers are striving to maintain lower inventory positions and place orders closer in time to requested delivery dates. Retailers are also demanding increasing levels of floor-ready and receipt-ready programs and enhanced store merchandising support. As a result, the Company has faced increasing pressure from worldwide retailers to improve its product support and delivery performance. Additionally, the U.S. retail market has changed in recent years, resulting in more centralized buying practices and potentially greater credit exposures from customers.

ORGANIZATION STRUCTURE

The Company's current operating structure consists of two principal organizations: Levi Strauss North America (LSNA) and Levi Strauss International (LSI).

LSNA encompasses the Company's businesses in the U.S., Canada and Mexico. As part of a strategic initiative, the Company aligned its U.S. marketing divisions according to the Company's Levi's(R), Dockers(R) and Brittania(R) brands (see Strategic Initiatives section). The LSNA operating structure currently consists of five principal marketing and/or operating divisions: Levi's(R), Dockers(R), Canada, Mexico and Brittania Sportswear Ltd. The Levi's(R) division markets jeans and jeans-related products for men, women and youth. The Dockers(R) division markets Dockers(R) products and casual products for men, women and youth. The Canada and Mexico divisions market mostly jeans, jeans-related products and Dockers(R) products. Brittania Sportswear Ltd. markets the Brittania(R) line of men's and women's jeans, tops and casual sportswear in the U.S. Levi's(R) and Dockers(R) men's products are the Company's most important source of U.S. sales and earnings.

LSI markets jeans and related apparel outside North America and is a major source of operating income for the Company. LSI is organized along geographic lines consisting of the Europe, Latin America and Asia Pacific divisions. Europe is the largest LSI division in terms of sales and profits with the Company's affiliates in Germany and Italy being the two largest contributors. Asia Pacific is the second largest LSI division, principally due to the size of its Japanese operations.

The following table presents U.S. and non-U.S. sales for 1994, 1993 and 1992.

	1994	1993	1992
	(In Millions)		
U.S. operations	$3,721	$3,715	$3,483
Non-U.S. operations	2,353	2,177	2,087
	$6,074	$5,892	$5,570

For additional financial information concerning the U.S. and non-U.S. operations of the Company, see Note 2 to the Consolidated Financial Statements.

STRATEGIC INITIATIVES

The Company is continuing its process of examining and re-engineering various aspects of its brand marketing, customer service and operations/distribution strategies in response to current market and economic trends and in accordance with its Business Vision (see Business Vision section). The Company believes its initiatives are essential to staying competitive and meeting the changing needs of its customers. Summaries of these initiatives are as follows:

Global Brand Alignment

The Company's strategy, as outlined in its Business Vision, is to position its brands to ensure consistency of image and values to consumers around the world. The Company is taking the following actions to implement this strategy:

- The Company aligned its U.S. marketing divisions according to the Company's Levi's(R), Dockers(R) and Brittania(R) brands.

- The Company is continuing to analyze its customer base and product distribution in all markets to ensure that its retail distribution is consistent with its brand image.

- The Company is planning to operate retail stores in the U.S. that sell only Levi's(R) and Dockers(R) brand products (see U.S. Company-Owned Retail and Outlet Stores/Retail Joint Venture caption).

The Company's trademarks and brands differentiate its products from those of competitors. Due to the increasingly global nature of the marketplace, brands that are marketed in divergent distribution channels in different countries may confuse retailers and customers and dilute the Company's brand image. To align its global brand image, the Company is altering its distribution and marketing procedures. Retailers may react adversely to changes in product distribution, service levels or other aspects of their customer relationship with the Company. However, the Company believes that consistent brand image, on a global basis, is essential to its long-term success and attainment of overall objectives.

Customer Service

The Company believes that retailer expectations for service from manufacturers are increasing in worldwide markets. These expectations and requirements relate to all aspects of the relationship between the manufacturer and retailer.

Retailers want manufacturers to develop, deliver and replenish products faster, deliver retail floor-ready merchandise, participate in retail floor product presentation and provide ongoing support for the products on the retail floor. Additionally, manufacturers are expected to establish information systems that would be compatible with retailer systems and to coordinate invoicing and payment methods, accordingly. The Company believes that superior customer service, as well as its product development and marketing ability, will be an essential element of competitive strength in the coming years. The Company is engaged in various customer service initiatives in the U.S. and in many non-U.S. businesses.

U.S. Customer Service Initiative

The Company is reorganizing and re-engineering its entire U.S. operations to improve customer service, forge stronger relationships with its retail customers and suppliers and reduce the time it takes to develop products and fill customer orders. The reorganization will affect the Company's entire U.S. supply chain, including product development, production and sourcing, sales and distribution processes, and its information resource systems.

The Company is upgrading its national distribution network and regionally linking its manufacturing, finishing and distribution facilities. This entails the modernization, reconfiguration and expansion of facilities, including purchases of new facilities and equipment. The Company plans to utilize several regional customer service centers to carry core products and replenishable seasonal products of each brand for each consumer segment. The Company also intends to use a national center to store one-time seasonal products.

Additionally, the Company's initiatives will require information system changes to support the changes in its business processes, organization and distribution network. Common data and on-line access for all parts of the supply chain are critical to reducing leadtimes and building alliances with customers and suppliers.

The Company's immediate reengineering efforts will focus on delivering continuing products timely and accurately and delivering floor-ready products to selected customers so they can make them available to consumers immediately. In addition, the Company will then focus on changing the process for forging relationships with suppliers and customers, developing new products, updating continuing products, replenishing seasonal products, and offering products and programs to assist customers in differentiating the Company's products from competitor products.

Since 1993 and over the next several years, the Company plans to incur total capital expenditures of over $400.0 million to support the new U.S. distribution network, expanded system requirements, organization and manufacturing changes. Included in this total capital expenditure projection is over $290.0 million related to the construction, renovation and retrofitting of new and existing customer service centers. The total capital expenditure projection amount includes previously recognized capital expenditures of approximately $81.0 million.

Additionally, the Company plans to spend approximately $450.0 million for transitional expenses, including costs related to the implementation of new software applications, reengineering design and planning, implementation of organization and process changes, training, education and other related expenses. The total amount for transitional expenses include previously recognized expenses of approximately $70.0 million. These costs will be recognized ratably throughout the implementation period and/or as expenses occur, depending on the nature of the cost and the decisions made related to this initiative.

LSI Customer Service Initiatives

The LSI customer service initiatives began in late 1993 and encompasses the Company's affiliates in the Europe, Latin America and Asia Pacific divisions. The objective of the LSI initiatives is to build the capabilities within the LSI organization to make customer service a competitive advantage. The LSI customer service initiatives will be highly selective and focused with a varying degree of impact and modification to affiliate organizations. It is too early to determine the amount of capital expenditures and transitional expenses the Company will incur for the LSI initiatives until the design phase is completed. It is expected, however, that the total cost will be less than the costs for the U.S. initiative. These initiatives are expected to be completed over the next several years.

Rationalization of Supplier Base

In connection with the Company's initiative on customer service, the Company has been analyzing its supplier base to establish relationships with a reduced number of suppliers. This analysis involved identifying the Company's current and future needs, assessing the Company's current suppliers, identifying the suppliers that could best meet the Company's needs and developing strong

relationships with these suppliers. During 1994, the Company selected the U.S. fabric and sundries suppliers that will support the U.S. Levi's(R) and Dockers(R) product lines.

The selected suppliers will be the primary suppliers the Company will do business with in the future. The Company is currently working on transition plans to transfer its fabric and sundries business to the selected suppliers with minimal disruption to the Company and its suppliers (see Risks of Strategic Initiatives section).

Alternative Manufacturing Systems

Alternative Manufacturing Systems (AMS) have been implemented in substantially all of the Company's U.S. sewing plants. Similar programs have been implemented in the Company's Canada and Brazil facilities. AMS is a team-based approach to manufacturing, replacing the traditional assembly line. Team-based manufacturing is designed to improve quality, increase flexibility and morale, reduce absenteeism and turnover, shorten leadtimes, and decrease repetitive motion related injuries. The intent of AMS is to enable the Company to respond more quickly to retail accounts and market trends, while at the same time reducing production costs. The Company's efforts have contributed to lowering workers' health and safety costs. The Company continues to modify and refine AMS in order to maximize benefits associated with the program.

Additionally, the Company continues to benefit from "F.A.S.T." in the U.S., which links specific sewing plants to certain finishing centers and customer service centers to reduce leadtimes, address quality issues on a more timely basis and decrease the response time in filling customer orders.

U.S. Company-Owned Retail and Outlet Stores/Retail Joint Venture

As part of its efforts to create consistent brand image, the Company is planning to own and operate retail and outlet stores in the U.S. that sell only Levi's(R) and Dockers(R) brand products. These stores will include Original Levi's(R) Stores, Dockers(R) Shops and separate outlet stores, in all cases selling only Levi's(R) or Dockers(R) products. The Company expects to open approximately 190 of these stores within the next five years. The Company plans to operate flagship (premier) stores only in key markets and locations most able to help the Company achieve its primary focus of maintaining a high brand image, such as downtown urban locations and selected high visibility regional malls. The Company plans to operate outlet stores dedicated to each brand in areas outside major markets in key outlet malls. The Company expects to spend approximately $90.0 million for capital expenditures during the next few years in connection with this program.

This program is in addition to the plans the Company has with Designs, Inc. to establish a joint venture that will own and operate, in the northeastern U.S., approximately 50 Original Levi's(R) Stores selling only Levi's(R) jeans and jeans-related products. The Company will have a 30 percent equity interest in the U.S. joint venture. Venture establishment was approved by the Federal Trade Commission subsequent to year-end. The venture formed and began operations in January 1995.

Risks of Strategic Initiatives

The Company is assuming substantial risks in undertaking these initiatives. For example, it faces disruption of its ongoing business operations during implementation. Management, other personnel and job definition changes may distract employees and adversely affect employee

morale. The Company may incur unplanned additional implementation costs, with a resulting impact on cash flow and earnings.

The Company will face challenges in developing the information systems necessary to support new business processes and customer service requirements. The Company will rely on new materials handling technologies in the new customer service centers, and must successfully integrate the software that operates the equipment with its business systems. The Company must also successfully manage the transition of employees to new positions and train them to meet the requirements of those positions, including operating effectively in a more team-based and technology-oriented environment. The changes will occur at the same time the Company implements a new compensation program that is intended to align employee efforts with overall Company strategies (see Partners in Performance caption under Item 11. Director and Executive Compensation).

More broadly, these initiatives involve fundamental changes in the way the Company operates its business. There are numerous commercial, operating, financial, legal and other risks and uncertainties presented by the design and implementation of such programs. Furthermore, the Company is not aware of undertakings of comparable magnitude in the apparel industry, and cannot predict with certainty the outcome of these initiatives. Although there can be no

assurance that the Company will successfully design and implement these new business processes, or that the costs of these initiatives will not exceed estimates, the Company believes that the re-engineering initiative is essential to maintain its global competitive position. Additionally, the Company believes it is important to implement these initiatives at a time when the Company's market and financial performance is strong.

U.S. OPERATIONS

The Company's U.S. operations are currently organized by its Levi's(R), Dockers(R) and Brittania(R) brands that, along with Canada and Mexico, constitute the LSNA organization. Each U.S. division maintains its own merchandising, sales and advertising staff.

Markets

The Company's current U.S. apparel market is directly affected by consumer spending, the retail environment and competition. The recovering U.S. economic environment is experiencing moderate inflation growth, relatively strong consumer confidence and a strengthening employment situation. Consumer spending is strong; however, apparel sales are still sluggish, and consumers remain price sensitive and extremely "value" oriented. Retailers are responsive to consumer spending patterns and are offering more private label products and demanding higher levels of service and support from their vendors. Additionally, competitors are also becoming more aggressive by offering lower priced products.

The Company's strategy in responding to current market conditions focuses on brand positioning, sensitivity to fashion changes and consumer preferences, brand enhancement, timely product development, innovative marketing activities and enhanced relations with retailers and suppliers. As previously described, superior customer service and efficient product development and manufacturing are integral elements of the Company's business strategy.

The U.S. jeans market in 1994 was stable with 1993 levels, with no real growth expected in 1995. The Company continues to hold a significant market share in the young men's market. Demand for finished jeans products (garments that have been laundered or otherwise treated after assembly), including stonewashed and other wet-processed garments, continues to increase. Over the years, jeans demand by the male consumer has also included substitute products such as casual slacks, shorts and fleecewear. The Company believes that these trends are in part a function of the broad demographic changes noted above. The women's jeans market tends to be more fragmented among major competitors than jeans for men.

In recognition of the ongoing changes in the jeans market, the Company continues to add new designs, finishes, fabrications and colors to its traditional product lines. Ongoing efforts are placed on coordinating with laundry contractors, textile producers and other companies throughout the world to develop concepts and processes to promote finishing development leadership and finished product shade consistency. The growth in new product lines is reflected by the fact that in 1994 traditional "rigid denim" products sold by the Levi's(R) men's and youth brands provided 5 percent of total unit sales of those divisions, compared to 68 percent in 1985.

The casual sportswear market is dynamic, characterized by continuous product innovation and lower margins than those prevailing in the young men's jeans market due to higher labor content. The sportswear market, like the jeans market, is affected by demographic changes and changes in consumer lifestyles and buying habits. Market research indicates that the male consumer remains highly brand conscious and brand loyal, and more value-oriented, than the female consumer who is more price conscious.

Products and Strategy

The Company manufactures and markets basic jeans, branded casual products and jeans-related products in a wide range of moderately-priced apparel categories. The 501(R) family of jeans, other basic denim jeans and related jeans products have traditionally been the Company's key products. In addition to the 501(R) products, the Levi's(R) men's brand also markets the Red Tab(TM), Orange Tab(TM) and silverTab(TM) product lines. The Levi's(R) women's brand markets jeans and knit and woven tops for the 501(R), Red Tab(TM), Orange Tab(TM) and silverTab(TM) product lines. The Levi's(R) Youth brand markets jeans and casual youthwear products for the 501(R), Orange Tab(TM), silverTab(TM) and Little Levi's(TM) product lines. The men's Dockers(R) brand organization manufactures and markets men's casual and dress slacks and men's knit and woven shirts, under the Dockers(R) brand name and Levi's(R) Action and Levi's(R) Travelers product lines. Both the women's and youth Dockers(R) brand markets casual sportswear under the Dockers(R) product line. Brittania Sportswear Ltd. manufactures and markets men's and women's jeans, tops and casual sportswear under the Brittania(R) and Brittgear(TM) labels.

U.S. unit sales of the 501(R) family of jeans decreased 5 percent from 1993 and decreased 21 percent when comparing 1993 with 1992. The decrease in unit sales for the 501(R) family of jeans is related to the success of other Company jeans

products, such as Orange Tab(TM) and other Red Tab(TM) products. In addition, this decrease also related to 501(R) family of products price increases and various counter-diversion tactics (see Risks of Non-U.S. Operations caption). The Company's dollar sales for total U.S. jeans offerings totaled approximately $2.9 billion in 1994. The Company expects 1995 sales of products marketed by the Levi's(R) men's brand to be relatively stable, compared with 1994.

Levi's(R) jeans for women product line dollar and unit sales are expected to be higher in 1995 compared to 1994 due to the offering of more tops, Orange Tab(TM) products and special sizes. In addition, the line will add emphasis on the misses market. The Levi's(R) jeans for women product line will be supported by a new version of the "Women in Motion" advertising campaign in 1995. Levi's(R) jeans for women are the number one selling jeans in the junior market.

The Company sells Levi's(R) for youth to the boys' and girls' markets. Traditional blue denim and colored denim bottoms and shorts, loose silhouettes and coordinating tops were prominent products sold by this division during 1994 and will continue in 1995.

The Dockers(R) product line was one of the most rapidly growing and successful lines in the U.S. apparel industry since its introduction in 1986. However, 1994 sales of Dockers(R) products declined due to the Company's late entry into the wrinkle-free market coupled with finishing capacity limitations for men's Dockers(R) and the repositioning of the women's Dockers(R) business. Unit sales of Dockers(R) products decreased 21 percent from 1993 and decreased 4 percent when comparing 1993 with 1992. The Company's 1994 market share of the U.S. casual market dropped slightly due to the late entry into the growing wrinkle-free market. The Company expects that sales of Dockers(R) products will be slightly higher in the 1995 fiscal year due to increased sales for wrinkle-resistant products.

The Company's Dockers(R) men's product line and men's Levi's(R) loose-fitting jeans represent a response to demographic and fashion changes. The Company continues to expand the Dockers(R) product line with new product innovations. "Performance cottons" include knit tops (made of fine quality cotton treated to reduce fading, twisting and shrinking) and wrinkle-resistant products. Another new product innovation entitled "well worn" includes products that are heavily abraded and washed down. During 1995, the Dockers(R) brand will be repositioning the Dockers(R) Authentics product line extension that was launched early in 1994. This repositioning will specifically target men ages 25-30, the younger end of the core Dockers(R) target market that are loyal Levi's(R) men's jeans consumers. The revised positioning of the Dockers(R) Authentics product line is intended to capture the attention of this consumer in department stores by providing a shopping environment similar to the shopping environment for the Company's men's jeans products. The products will be developed and marketed similarly to men's jeans products, based on a narrow fit strategy with fabric and finish variations.

The women's Dockers(R) product line has suffered from a very weak retail environment for moderate sportswear products. The Company hopes to see long-term benefits from its newly repositioned core pants strategy developed earlier in 1994, which builds off the success of the men's Dockers(R) brand business. However in the short-term, dollar and unit sales for women's Dockers(R) products are expected to be slightly lower in 1995.

The Dockers(R) brand for youth markets casual bottoms and tops only in the boy's market. During 1994 this division successfully introduced cotton wrinkle-resistant bottoms.

Dollar sales of Levi's(R) men's jeans products accounted for 33 percent in both 1994 and 1993 and 31 percent in 1992 of the worldwide sales of the Company. U.S. sales of non-jeans-related casual apparel products represented 14 percent, 19 percent and 21 percent of worldwide dollar

sales in those years. For additional financial information on U.S. operations, see Note 2 to the Consolidated Financial Statements.

The Brittania(R) brand represents the Company's presence in the growing mass merchant channel. This channel currently comprises nearly half of the jeans market. Brittania Sportswear Ltd. offers low-priced, high quality products to major mass merchant accounts and is a component of the overall U.S. marketing strategy. The Brittania(R) business is an independent business unit within LSNA and in 1994 moved its headquarters to Renton, Washington. This decision was intended to lower costs and strengthen the brand's competitive position in its marketplace by centralizing operations, sourcing, marketing, accounts receivable management and distribution functions.

Competition

The Company and its largest competitor in the U.S. jeans market, VF Corporation, account for approximately one-half of the units sold in the U.S. jeans market.

The Company believes that the combined brand share of its Levi's(R) and Brittania(R) products in the U.S. jeans market is second only to the combined share of VF Corporation's four principal brands, Wrangler(R), Lee(R), Rustler(R) and Lee Riders(R).

The casual apparel market for men and women is characterized by intense competition, among manufacturers and retailers, and ease of entry for new producers. Import competition is more prevalent in the casual apparel market than in the jeans market. Apparel imports have generally lower labor costs and may exert downward pressure on prices of casual wear products. This situation is limited by U.S. trade policies that restrict apparel imports through quotas and tariffs (see Global Sourcing section).

Cotton wrinkle-resistant slacks were introduced by competitors in 1993 and have changed the casual pants market. Competitor wrinkle-resistant products (e.g., Haggar and Savane) are in direct competition with the Company's products. However, wrinkle-resistant casual pant products offered in the Dockers(R) product line in 1994 have been widely accepted by consumers due to their quality (e.g., softness content) and the overall consumer confidence in the brand. (See Products and Strategy caption.)

The Company is expecting its U.S. unit sales in 1995 to be slightly higher than 1994 due to the strength of the Levi's(R) women's and men's Dockers(R) brands, despite value-conscious consumers and increased competition, particularly from private-label products (e.g., Arizona Jean Company(R) brand by J.C. Penney Company, Inc. and Anchor Blue(R) brand by Miller's Outpost).

Distribution

The Company distributes its products through retail stores that satisfy its account selection criteria and sell directly to the retail consumer. The Company does not sell its first quality "in season" products to wholesalers, jobbers or distributors, and maintains a compliance program to enforce its distribution policy and to control unauthorized diversionary sales of its products (see Risks of Non-U.S. Operations caption). The principal channels of distribution of the Company's products are department stores, specialty stores and national chains, including J.C. Penney Company, Inc., Sears Roebuck & Co. and Mervyn's Inc. The Company believes that industry leadership and brand strength of the Company's core products are maintained through

the use of traditional distribution channels. U.S. sales to the Company's top 5 retail customers represented 39 percent of total 1994 U.S. dollar sales. The Company's top 25 customers accounted for approximately 66 percent of the Company's total U.S. dollar sales. The Company has no long-term contracts or commitments with any of its customers other than with its retail joint venture partnership (see U.S. Company-Owned Retail and Outlet Stores/Retail Joint Venture caption). The loss of any of these major customers could have an adverse effect on the Company's results and operations. Retail accounts are currently serviced by approximately 384 sales representatives for the U.S. divisions.

The Company will also continue developing dedicated U.S. distribution channels, such as stores that sell only Levi's(R) brand products (see Strategic Initiatives section) and in-store shops at retailer locations, consistent with its Business Vision (see Business Vision section).

The Company distributes Brittania(R) products principally through mass merchant channels, including Kmart Corporation and Target Stores. These two customers represent approximately 64 percent of Brittania Sportswear Ltd. total sales. The loss of either of these customers could have an adverse effect on Brittania Sportswear Ltd.'s results and operations, but not a material effect on the Company's total results. Brittania Sportswear Ltd. has no long-term contracts or commitments with any of its customers. Mass merchandisers comprise approximately 6 percent of the Company's U.S. unit sales for jeans.

Advertising/Marketing

The Company devotes substantial resources to advertising and marketing programs. In the United States, the Company advertises extensively on radio and television and in national publications as well as on billboards and other outdoor displays. It also participates in local co-operative advertising and visual merchandising programs under which the Company shares advertising costs with retailers.

In 1994, the Company launched a new 501(R) product line campaign entitled "501(R) Mystery" and continued several advertising campaigns including a campaign for loose-fitting jeans for both Levi's(R) men's and Levi's(R) youth product lines. In addition, during 1994 the Dockers(R) brand launched national, regional and outdoor advertising campaigns for men's, women's and youth Dockers(R) products, respectively. In 1994, U.S. advertising expense was $233.5 million, a 5 percent decrease from 1993.

The Company is increasing its use of in-store "shop" presentations in which the

Company influences the way its products are presented at the retail level. The Company assists retailers in displaying products in a manner intended to enhance the product's image and promote its quality, and present a consistent brand message directly to the consumer.

OPERATIONS OUTSIDE THE U.S.
Organization and Products

Operations outside the U.S. were the Company's most profitable businesses on a per unit basis in 1994. Generally, businesses outside the U.S. record higher gross profit as a percent of sales than businesses in the U.S., mostly due to higher overall average unit selling prices. These operations are generally organized by country, and manufacture and market jeans and related products outside the U.S.

Each country's operations within the Europe division are generally responsible for certain marketing activities, sales, distribution, finance and information systems. The European headquarters coordinates production, advertising and merchandising activities for core products and also manages certain information systems development activities. Merchandising and sourcing activities for non-core products are decentralized and located in various individual countries. Canada, Mexico (both included in the LSNA organization), and the countries of the Latin America and Asia Pacific divisions are primarily staffed with their own merchandising, sourcing, sales and finance personnel.

Sales for operations outside the U.S. are derived primarily from basic lines of jeans (particularly the 501(R) product line, other Red Tab(TM) and Orange Tab(TM) products), tops and other denim apparel. These operations sell directly to retailers in established markets. Retail accounts are currently serviced by approximately 399 sales representatives and 30 independent sales agents. Also, in 1994, the Company continued the rollout of the Dockers(R) line of products in Europe and New Zealand as well as continuing to offer Dockers(R) products in the Philippines and Hong Kong. Dollar and unit sales of these products increased substantially compared to 1993 due to the increased investment in this business line in 1994.

Manufacturing and distribution activities for non-U.S. marketing divisions are independent of the Company's U.S. operations. However, in 1994 non-U.S. operations purchased $124.0 million of products from the Company's U.S. divisions. This amount is expected to remain stable in 1995.

The Company explores and evaluates new markets on an ongoing basis. In 1994, the Company commenced operations in India and announced plans to establish operations in South Africa.

In 1994, net sales from non-U.S. operations were $2.4 billion compared to $2.2 billion in 1993. The Company believes its success in these markets reflects the Company's brand image and reputation, the continuing focus on core jeans products and the quality of its retail distribution, including stores that sell only Levi's(R) products. Considering the continuous changing needs of customers and consumers, and economic and trade developments (see Global Sourcing section), there can be no long-term assurances that the Company will maintain such profitability in these markets. For additional financial information about non-U.S. operations see Note 2 to the Consolidated Financial Statements.

The Markets, Competition and Strategy

The Company markets products in over 40 countries. As in the U.S., demand for jeans outside the U.S. is affected by a variety of factors that vary in importance in different countries, including socio-economic and political conditions such as consumer spending rates, unemployment, fiscal policies and inflation. In many countries, jeans are generally perceived as a fashion item rather than a basic, functional product and, like most apparel items, are higher-priced relative to the U.S. The non-U.S. jeans markets are more sensitive to fashion trends than the U.S. market.

Additionally, the retail industry differs from country to country. In certain countries the Company's primary retail customers are large "chain" retailers with centralized buying power. In other countries, the retail industry is comprised of numerous smaller, less centralized shops.

Some non-U.S. customers are stores that sell only the Company's products and are independent of the Company. The Company distributes to approximately 1,100 stores outside the U.S. that sell only Levi's(R) brand products. These stores are strategically positioned in prime locations around the world and offer a broad selection of premium Levi's(R) products using special retail fixtures and visual merchandising. Considering the increasingly competitive retail environment, the Company believes these stores are of strategic importance in enhancing the brand image of Levi's(R) products. To further enhance the Levi's(R) brand image, the Company opened one owned and operated "flagship" store in London during 1994 and plans to open two more stores in Milan and

Madrid in 1995.

Other general factors, including the relative strength or weakness of the U.S. dollar and competition from local manufacturers, also affect the Company's financial results in markets outside the U.S. The Company has the largest brand share and strongest brand image in virtually all of its established non-U.S. markets. There are numerous local competitors of varying strengths in most of the Company's principal markets outside the U.S., but there is no single competitor with a comparable global market presence. However, VF Corporation is increasing its activity in markets outside the U.S.

In Europe, consumer demand has been less affected by demographic changes compared to the U.S. Core denim jeans, especially the 501(R) family of products, continue as key products in Europe and Canada. However, to meet the service commitments the Company makes to its customers around the world, and consistent with the customer service initiative in the U.S., the Company is launching a customer service initiative for the non-U.S. divisions. (See Strategic Initiatives section.)

Sales in the Asia Pacific division, particularly in Japan, have declined during the current year, due to soft retail conditions as well as the introduction by competitors of a lightweight rayon jean. However, sales in other Asia Pacific affiliates, namely the Philippines and Korea, have increased. The Levi's(R) brand continues to be the market share leader in Mexico. The Company's Latin America division activities are mainly in Brazil.

Outside the U.S., advertising themes and strategies vary by country depending on the culture in each country, while maintaining consistency with the global positioning of the Levi's(R) brand. The Company utilizes media and point of sale advertising outside the U.S. Additionally, the Company sponsors concerts and events. Advertising expenditures for non-U.S. operations were $139.2 million in 1994, a 7 percent increase from 1993.

Risks of Non-U.S. Operations

The Company's non-U.S. operations, including its use of non-U.S. manufacturing sources (see Global Sourcing section), are subject to the usual risks of doing business outside the U.S. These risks include adverse fluctuations in currency exchange rates, changes in import duties or quotas, disruptions or delays in shipments and transportation, labor disputes, and socio-economic and political instability. The occurrence of any of these events or circumstances could adversely affect the Company's operations and results. The Company continually evaluates the risk of non-U.S. operations when considering capital and reinvestment alternatives. The Company also uses various currency hedging strategies to mitigate the effects of currency fluctuations. In addition, it is not possible to accurately predict the effect that changing political and economic

conditions in Russia and Eastern Europe will have on the Company's ability to expand those operations.

In many non-U.S. countries, the appeal of Levi's(R) products, particularly the 501(R) family of products, has generated higher prices than those in the U.S., which encourages diversion of Levi's(R) products. Accumulators usually buy products in the U.S. and ship them to non-U.S. countries for sale at a higher price, but lower than the retail prices charged by authorized retailers in those countries. Diverters usually procure products in the U.S. at wholesale costs and ship them to other countries for sale at a profit. These diversion tactics reduce the availability of products for U.S. consumers and negatively affect the Company's and retailers' results outside the U.S.

Higher average unit selling prices in the U.S. for certain products have narrowed the pricing gap between certain U.S. and non-U.S. jeans products, thus discouraging diversion. However, the risks of increasing prices in the U.S. for certain products include retailer and consumer resistance to pricing that exceeds their perception of the value of the Company's products. This is of particular concern in an environment characterized by difficult economic conditions and, in the U.S., increasing acceptance of lower priced or private label products. Also, the Company's distribution policy requires retailers to limit the number of certain jean products a customer can purchase in U.S. metropolitan-area stores. The Company ceases business relations with retailers known to cooperate with diverters.

Additionally, sales of counterfeit Levi's(R) products, mostly made in the People's Republic of China, occur in key markets on a regular basis. The Company is concerned about the loss of its reputation with consumers, who may unknowingly buy counterfeit products, and damage to its business in those markets. The Company actively searches for and investigates counterfeit products. It seeks to protect its trademarks and has filed numerous legal actions against counterfeiters.

The January 16, 1995 earthquake in Kobe, Japan did not affect the Company's operations in Japan. However, some customers were affected. The Company does

not expect this event to materially impact the Consolidated Financial Statements of the Company.

GLOBAL SOURCING

Apparel manufacturing in less-developed countries continues to affect global apparel markets, including the U.S. market. These less-developed countries have lower labor costs and, in some cases, such as in the production of shirts, access to less expensive fabrics. The Company's U.S. owned and operated manufacturing base is trying to stay competitive in jeans production by achieving shorter leadtimes, production flexibility, meeting production requirements through AMS (see Alternative Manufacturing Systems caption), focusing on quality and aggressive cost reduction and productivity improvement.

The Company's imports into the U.S. have significantly increased in the past seven years in response to overall sales growth in casual wear apparel. These casual wear products require more sewing and construction time and are, therefore, not as cost competitive when sourced from the Company's U.S. owned and operated facilities.

In 1994 and 1993, approximately 50 percent and 54 percent, respectively, of the apparel production units of the Company's U.S. operations were manufactured by independent contractors. Approximately 45 percent of non-U.S. products in 1994 were manufactured by independent contractors, compared to 49 percent in 1993. In 1994 and 1993, independent contractors were used for the finishing process for approximately 70 percent and 72 percent, respectively, of the finished units of U.S. operations. Approximately 53 percent and 55 percent of the finishing process for non-U.S. finished units in 1994 and 1993 was performed by independent contractors.

The Company has a few long-term contracts with certain of its manufacturing sources and competes with other companies for production facilities and import quota capacity. Although the Company believes that it has established close relationships with its manufacturing sources, the Company's future success will depend in some measure upon its ability to maintain such relationships and, more broadly, to develop and implement a long-term sourcing plan.

The Company established its Global Sourcing Guidelines (GSG) to provide direction for selecting contractors and suppliers that provide labor and/or material utilized in the manufacturing and finishing of its products. These guidelines address issues that contractors and suppliers can control, for example, sharing the Company's ethical standards and commitment to the environment, providing workers with a safe and healthy work environment, maintaining fair employment practices and complying with legal requirements. The GSG also prohibits operating in countries that would have an adverse effect on global brand image or trademarks, expose employees or representatives to unreasonable risks, violate basic human rights, or threaten the Company's commercial interests due to political or social turmoil. The GSG possibly limits some of the Company's sourcing options as well as its access to certain lower cost production.

Textile trade policy of developed countries has increased the cost of importing apparel products produced in countries with lower labor costs through quotas and high tariffs. However, this protection of apparel manufacturers in developed countries, particularly the U.S., Canada, Australia, the European Free Trade Association countries and the European Economic Community (EEC), is gradually being reduced.

The North American Free Trade Agreement (NAFTA) was effective January 1, 1994. Quotas and tariffs will be phased out on specific goods of North American origin over a six-to-seven year period. The effect of NAFTA on the sourcing of goods to and from Mexico will have the most immediate impact on the Company. Once NAFTA is fully phased-in, the impact on the Company will be an approximate 5 to 18 percent reduction of tariffs on apparel imports from Mexico, and a 20 percent reduction in tariffs on apparel imports from the U.S. to Mexico.

On December 1, 1994, the U.S. Congress passed the legislation for the U.S. approval of the General Agreement on Tariffs and Trade (GATT) Uruguay Round; the agreement was implemented on January 1, 1995. The major provision of the agreement, which may effect the Company, is the phase-out of the textile and apparel quota system, the Multifiber Arrangement (MFA). Quotas will be eliminated on textile and apparel products over a 10 year period. However, the products selected for the first stage of the quota phase-out (1995-1997) do not include basic apparel items such as pants and shirts. Therefore, the Company does not expect

that the GATT phase-out of quotas will have an immediate impact on the Company's sourcing decisions.

Trade legislation which may significantly impact the Company in 1995 would be the passage of NAFTA-like preferential tariffs for the Caribbean Basin countries

(CBI countries). Legislation for "CBI parity" is likely to be brought before the U.S. Congress in 1995. The Company sources units in CBI countries and is assessed duties of 5-18 percent. If the CBI parity legislation were to pass Congress in 1995, the Company would save between $20 million to $30 million in annual duties paid to U.S. Customs.

RAW MATERIALS

The Company's primary raw materials include fabrics made from cotton. Synthetics and blends of synthetics with cotton or wool are used in certain product lines. Fabric is purchased mostly from U.S. textile producers for U.S. operations, and from both U.S. and non-U.S. textile producers for operations outside the U.S. Cone Mills Corp. and Burlington Industries supplied approximately 29 percent and 14 percent, respectively, of the total volume of fabrics purchased by the Company for U.S. operations in 1994. Cone Mills Corp. and Dominion Textiles Incorporated (including Swift Manufacturing Co., its wholly-owned subsidiary) supplied approximately 17 percent and 8 percent, respectively, of the Company's fabric purchases for non-U.S. operations in 1994. Cone Mills Corp. is the sole supplier of 01 denim, the fabric used in manufacturing 501(R) jeans.

The Company has not recently experienced and does not expect any substantial difficulty in obtaining raw materials. Its only long-term raw materials contract with a principal supplier is with Cone Mills Corp. The loss of one or more of the Company's principal suppliers could have an adverse effect on the Company's results and operations. As part of its U.S. re-engineering effort, the Company is rationalizing its supplier base to reduce the number of suppliers it uses for certain fabrics. The Company also purchases large quantities of thread and trim (buttons, zippers, snaps, etc.) but is not dependent on any one supplier for such items.

UNSHIPPED ORDERS AND INVENTORIES

As of November 27, 1994, the Company's unshipped order position for all products was approximately 105 million units, representing an increase of approximately 10 percent over the comparable date last year. The increase in unshipped orders was primarily attributable to the U.S. brands in anticipation of stronger first half 1995 U.S. sales.

The Company's finished goods inventory was approximately $494.6 million at year-end 1994, which was below the prior year's level. (See Inventories caption under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.)

Unit cancellations in 1994 decreased 15 percent from 1993, mostly due to improved inventory management. Additionally, retailers were keeping less inventory on hand and had been relying on suppliers to provide products on a more timely basis. This practice by retailers resulted in the high number of order cancellations in 1993. The Company's initiative on customer service is expected to result in more accurate demand forecasting and reduced inventory leadtimes, which in turn are expected to lower order cancellations.

TRADEMARKS AND LICENSING AGREEMENTS

The Company has a general program concerning the protection and enforcement of its trademark rights. The Company has registered the Levi's(R) trademark, one of its most valuable assets, in over 150 countries. The Company owns and has widely registered other trademarks that it uses in marketing jeans and other products, the most important of which in terms of product sales are the 501(R), Dockers(R), Pocket "TAB" Device and ARCUATE Design trademarks. The Company vigorously defends its trademarks against infringement, including initiating litigation to protect such trademarks when necessary.

The Company has licensing agreements permitting third parties to manufacture and market Levi's(R) branded products in countries where the Company has elected not to, or is unable to, manufacture or market on a direct basis. Additionally, it has agreements permitting third parties to manufacture and distribute certain other products, such as shoes, socks and belts, under the Levi's(R), Dockers(R) and Brittania(R) trademarks.

SEASONALITY

The apparel industry in the United States generally has four selling seasons--Spring, Summer, Fall and Holiday. New styles, fabrics and colors are introduced on a regular basis, based on anticipated consumer preferences, and are timed to coincide with these retail selling seasons. Historically, seasonal selling schedules to retailers have preceded the related retail season by two to eight months. Outside the U.S., the apparel industry typically has two seasons--Spring and Fall. The Company's business is impacted by the general seasonal trends that are characteristic of the apparel industry.

EMPLOYEES

The Company employs approximately 36,500 people, a majority of whom are production workers. A substantial number of production workers are employed in plants where the Company has collective bargaining agreements with recognized labor unions. The Company considers its employees to be an important asset of the Company and believes that its relationships with employees are satisfactory.

SOCIAL RESPONSIBILITY

Social responsibility is a matter of strong conviction on the part of the Company. The Company has a longstanding commitment to equal employment opportunity, affirmative action and minority purchasing programs. The Company seeks to be an active corporate citizen in the communities in which it operates and maintains a Worldwide Code of Business Ethics.

The Company has traditionally supported charitable social investment programs and intends to maintain its historical practice of charitable giving. During 1994, the Company made a donation of $12.4 million to the Levi Strauss Foundation. The Company also contributed $.3 million to support matching gifts to the Red Tab Foundation, which was established to provide emergency financial assistance to the Company's employees and retirees in the United States. The Red Tab Foundation is currently in the process of expanding to non-U.S. affiliates.

The Levi Strauss Foundation made current grant commitments totaling approximately $9.2 million in 1994 and the Company made additional corporate charitable contributions of $5.2 million, primarily for international programs. These include grants in three community

partnership giving (or staff-directed) areas: AIDS and Disease Prevention, economic development (projects which seek to enhance the economic options and opportunities of low-income individuals) and social justice (Project Change, a race relations program in four U.S. communities). Also included are grants through the Community Involvement Team program (in which groups of employees or retirees volunteer their time to review local community needs and then develop and implement projects to meet those needs), the Corporate Childcare Fund and the Social Benefits Program (matching gifts and volunteer service programs). Contributions by the Levi Strauss Foundation have averaged over $8.0 million for each of the last three years.

BUSINESS VISION

The Company developed its Business Vision to identify its goals and provide direction for prioritizing all its initiatives and strategies. The Business Vision is as follows:

> We will strive to achieve responsible commercial success in the eyes of our constituencies, which include stockholders, employees, consumers, customers, suppliers and communities. Our success will be measured not only by growth in shareholder value, but also by our reputation, the quality of our constituency relationships, and our commitment to social responsibility. As a global company, our businesses in every country will contribute to our overall success. We will leverage our knowledge of local markets to take advantage of the global positioning of our brands, our product and market strengths, our resources and our cultural diversity. We will balance local market requirements with a global perspective. We will make decisions which will benefit the Company as a whole rather than any one component. We will strive to be cost effective in everything we do and will manage our resources to meet our constituencies' needs. The strong heritage and values of the Company as expressed through our Mission and Aspiration Statements will guide all of our efforts. The quality of our products, services and people is critical to the realization of our business vision.
>
> We will market value-added, branded casual apparel with Levi's(R) branded jeans continuing to be the cornerstone of our business. Our brands will be positioned to ensure consistency of image and values to our consumers around the world. Our channels of distribution will support this effort and will emphasize the value-added aspect of our products. To preserve and enhance consumers' impressions of our brands, the majority of our products will be sold through dedicated distribution, such as Levi's(R) Only-Stores and in-store shops. We will manage our products for profitability, not volume, generating levels of return that meet our financial goals.
>
> We will meet the service commitments that we make to our customers. We will strive to become both the "Supplier of Choice" and "Customer of Choice" by building business relationships that are increasingly interdependent. These relationships will be based upon a commitment to mutual success and collaboration in fulfilling our customers' and suppliers' requirements. All business processes in our supply chain--from product design through sourcing and distribution--will be aligned to meet these commitments. Our sourcing strategies will support and add value to our marketing and service objectives. Our

worldwide owned and operated manufacturing resources will provide significant competitive advantage in meeting our service and quality commitments. Every decision within our supply chain will balance cost, customer requirements, and protection of our brands, while reflecting our corporate values.

The Company will be the "Employer of Choice" by providing a workplace that is safe, challenging, productive, rewarding and fun. Our global work force will embrace a culture that promotes innovation and continuous improvement in all areas, including job skills, products and services, business processes, and Aspirational behaviors. The Company will support each employee's responsibility to acquire new skills and knowledge in order to meet the changing needs of our business. All employees will share in the Company's success and commitment to its overall business goals, values and operating principles. Our organization will be flexible and adaptive, anticipating and leading change. Teamwork and collaboration will characterize how we address issues to improve business results.

STATEMENT OF COMPANY MISSION AND ASPIRATIONS

The Company believes that shared goals are as critical to the Company's success as providing quality products and service and being a leader in the apparel industry. In order to identify and focus these shared goals, the Company adopted the following "Statement of Mission and Aspirations":

Mission Statement

The mission of the Company is to sustain responsible commercial success as a global marketing company of branded casual apparel. We must balance goals of superior profitability and return on investment, leadership market positions, and superior products and service. We will conduct our business ethically and demonstrate leadership in satisfying our responsibilities to our communities and to society. Our work environment will be safe and productive and characterized by fair treatment, teamwork, open communications, personal accountability and opportunities for growth and development.

Aspirations for the Company

We want a Company that our people are proud of and committed to, where all employees have an opportunity to contribute, learn, grow and advance based on merit, not politics or background. We want our people to feel respected, treated fairly, listened to and involved. Above all, we want satisfaction from accomplishments and friendships, balanced personal and professional lives, and to have fun in our endeavors.

When we describe the kind of company we want in the future what we are talking about is building on the foundation we have inherited: affirming the best of our Company's traditions, closing gaps that may exist between principles and practices and updating some of our values to reflect contemporary circumstances. In order to make our aspirations a reality, we need:

New Behaviors: Leadership that exemplifies directness, openness to influence, commitment to the success of others, willingness to acknowledge our own contributions to problems, personal accountability, teamwork and trust. Not only must we model these behaviors but we must coach others to adopt them.

Diversity: Leadership that values a diverse workforce (age, sex, ethnic group, etc.) at all levels of the organization, diversity in experience and a diversity in perspectives. We are committed to taking full advantage of the rich backgrounds and abilities of all our people and to promote a greater diversity in positions of influence. Differing points of view will be sought; diversity will be valued and honesty rewarded, not suppressed.

Recognition: Leadership that provides greater recognition--both financial and psychic--for individuals and teams that contribute to our success. Recognition must be given to all who contribute: those who create and innovate and also those who continually support the day-to-day business requirements.

Ethical Management Practices: Leadership that epitomizes the stated standards of ethical behavior. We must provide clarity about our expectations and must enforce these standards throughout the corporation.

Communication: Leadership that is clear about Company, unit, and individual goals and performance. People must know what is expected of

them and receive timely, honest feedback on their performance and career aspirations.

Empowerment: Leadership that increases the authority and responsibility of those closest to our products and customers. By actively pushing responsibility, trust and recognition into the organization we can harness and release the capabilities of all our people.

The Company is providing Aspirations training to employees and attempts to hold managers and employees accountable for behaviors that are in accordance with these objectives.

ITEM 2. PROPERTIES

The Company's headquarters are located at Levi's Plaza in San Francisco, California. It currently leases approximately 627,000 square feet, of which 81,000 square feet is subleased to others. The Company owns approximately 204,000 square feet of office space adjacent to Levi's Plaza, commonly known as the Icehouse Building. Currently 198,000 square feet of this office space is used by the Company and approximately 6,000 square feet is being leased to others. The Company also leases 137,000 square feet in other locations in San Francisco and surrounding areas as well as 460,000 square feet in various parts of the U.S.

The Company owns or leases 91 manufacturing, warehousing and distribution facilities, aggregating to approximately 9,835,200 square feet, as shown in the following table:

<TABLE>
<CAPTION>

	Owned/(1)/		Leased		Total	
	Number of Facilities	Square Feet	Number of Facilities	Square Feet	Number of Facilities	Square Feet
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Manufacturing and Warehousing:						
U.S.	25	2,711,296	17	1,004,700	42	3,715,996
Non-U.S.	14	1,359,000	8	527,400	22	1,886,400
	39	4,070,296	25	1,532,100	64	5,602,396
Distribution:						
U.S.	5	2,195,946	2	480,875	7	2,676,821
Non-U.S.	3	520,700	17	1,035,300	20	1,556,000
	8	2,716,646	19	1,516,175	27	4,232,821
Total	47	6,786,942	44	3,048,275	91	9,835,217

</TABLE>

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/(1)/ Includes properties under capital lease.

The Company believes that its existing facilities are in good operating condition. The amounts shown in the table include approximately 141,000 square feet of manufacturing capacity and 667,246 square feet of distribution capacity currently subleased to others or not in use. See Note 9 to the Consolidated Financial Statements for additional information about material leases.

ITEM 3. LEGAL PROCEEDINGS

The Company does not consider any pending legal proceeding to be material. In the ordinary course of its business the Company has pending, various cases involving contractual matters, employee-related matters, distribution questions, product liability claims, trademark infringement and other matters. The Company believes that these cases are not material in the aggregate in light of the strength of its legal positions in such matters.

The Company evaluates environmental liabilities on an ongoing basis and, based on currently available information, does not consider any environmental exposure to be material to the Company's consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None, during the 1994 fourth quarter.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's outstanding Class L common stock is held primarily by members of the families of certain descendants of the Company's founder and certain members of the Company's management. Class E common stock is currently held by the trustee for the Employee Investment Plan of Levi Strauss Associates Inc. ("EIP"), the Levi Strauss Associates Inc. Employee Long Term Investment and Savings Plan ("ELTIS") and employees who purchased stock through the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc. (ESAP) (see Note 12 to the Consolidated Financial Statements). There is no established public trading market for either class of common stock and no shares of common stock are convertible into shares of any other classes of stock or other securities. All holders of Class L common stock are parties to, and bound by, an agreement restricting transfer of the Class L common stock. Additionally, management Class L stockholders are parties to contracts with the Company providing for in-service, employment separation-related and post-separation stock purchases (see Note 17 to the Consolidated Financial Statements for information relating to the Management Liquidity Program). The outstanding shares of Class E common stock are subject to restrictions on transfer imposed by the EIP, ELTIS and ESAP. On January 16, 1995, there were approximately 203 Class L stockholders and 1,204 Class E stockholders.

See Note 20 to the Consolidated Financial Statements for stock valuation and dividend information.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents historical income statement data and balance sheet data of the Company for the past five fiscal years. This data has been derived from the consolidated financial statements of the Company, which have been audited by Arthur Andersen LLP, independent public accountants. Unless otherwise indicated, references to years in this Form 10-K refer to the fiscal years of the Company.

<TABLE>
<CAPTION>

	Fiscal Year/(1)/				
	1994	1993	1992	1991	1990
	(Dollars in Millions Except Per Share Data)				
<S>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA:					
Net sales	$6,074.3	$5,892.5	$5,570.3	$4,902.9	$4,247.2
Stock option charge	--	--	158.0	--	--
Operating income	969.1	851.7	677.4	750.0	622.3
Interest expense	19.8	37.1	53.3	71.4	83.0
Income before extraordinary loss and cumulative effects of changes in accounting principles	557.5	492.4	360.8	366.5	264.9
Net income	321.0	492.4	360.8	356.7	251.2
Income available for common stockholders	321.0	492.4	358.9	345.1	243.3
Net income per common share before extraordinary loss and cumulative effects of changes in accounting principles	10.59	9.38	6.91	6.44	4.28
Net income per common share	6.10	9.38	6.91	6.26	4.05
Cash dividends declared per common share	1.30	1.10	3.40	.20	.70
BALANCE SHEET DATA:					
Total assets	3,925.3	3,108.7	2,880.7	2,633.4	2,389.9
Long-term debt and capital lease obligations	16.7	93.1	262.0	432.7	158.7
Redeemable Series A preferred stock	--	--	--	82.0	81.9
Employee Stock Purchase and Award Plan common stock	49.7	33.5	16.4	--	--
Management Liquidity Program common stock	138.6	--	--	--	--
Stockholders' equity	1,471.6	1,251.0	768.2	558.3	641.3

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</TABLE>
/(1)/ Fiscal years 1994 and 1993 each contained 52 weeks and ended on November 27, 1994 and November 28, 1993, respectively. Fiscal year 1992 contained 53 weeks and ended on November 29, 1992. Fiscal years 1991 and 1990 each contained 52 weeks and ended on November 24, 1991 and November 25, 1990, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following summary of results of operations, financial condition and liquidity discusses data contained in the Consolidated Financial Statements of the Company. The discussion focuses on 1994, 1993, and 1992 comparisons and includes analyses of major components of net income, specific balance sheet items, liquidity and capital resources. (Fiscal years 1994 and 1993 each contained 52 weeks, while fiscal year 1992 contained 53 weeks.)

RESULTS OF OPERATIONS

Summary

During 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109 "Accounting for Income Taxes" (see Notes 3 and 11 to the Consolidated Financial Statements). The after-tax net impact of this adoption reduced 1994 net income by $236.5 million. Excluding the effects of adopting both SFAS Nos. 106 and 109, the Company would have achieved record net income results, exceeding 1993 net income by 13 percent.

Net income for 1994 was $321.0 million, a decrease of 35 percent from 1993. Contributing to 1994 net income were record sales, lower cost of goods sold, higher other operating income and lower interest expense. These favorable results were more than offset by the adoption of SFAS No. 106, higher marketing, general and administrative expenses and greater 1994 net foreign currency transaction losses.

Net income for 1993 increased $131.6 million from 1992 mostly due to a stock option charge that negatively affected 1992 net income (see Stock Option Charge caption). Excluding the effects of the stock option charge, 1993 net income would have increased $16.6 million from 1992, due to higher 1993 sales volume, a lower effective tax rate and lower interest expense. The 1993 net income increase was partially offset by lower other operating income compared to 1992.

Net income for fiscal year 1995 is expected to be higher than 1994 mostly due to the negative effect of adopting SFAS No. 106 in 1994. The Company expects dollar sales in 1995 to increase only slightly due to continued consumer price sensitivity and value consciousness. Additionally, planned costs in 1995 associated with the Company's U.S. initiative on customer service will also affect net income (see Additional Information section).

Net Sales

Record dollar sales for 1994 of $6.1 billion increased 3 percent over the prior year amount of $5.9 billion mostly due to a 6 percent increase in average unit selling prices that offset a 3 percent decrease in unit sales. Contributing to the 1994 results were record dollar and unit sales performances by the Europe division and the U.S. Levi's(R) brand product line. Sales in 1993 increased 6 percent over 1992 sales of $5.6 billion due to record 1993 unit sales and higher average unit selling prices. Additionally, fiscal years 1994 and 1993 each contained 52 weeks compared to 53 weeks in 1992.

U.S. dollar sales of $3.7 billion for 1994 were flat with the previous year due to a 5 percent increase in average unit selling prices that was offset by a 5 percent decrease in unit sales. Contributing to these results were record overall dollar and unit sales in the Levi's(R) brand product line that were offset by lower dollar and unit sales in the Dockers(R) product line. The U.S. Levi's(R) brand achieved record dollar sales for the Levi's(R) men, women and youth product lines. The Dockers(R) product line decrease reflected finishing capacity limitations during 1994 for wrinkle-resistant bottoms and the repositioning of the women's Dockers(R) product line. In the U.S., the Company's top 25 retail customers currently account for approximately 66 percent of dollar sales, which represents a 2 percentage point increase over the previous two years. U.S. dollar sales in 1993 of $3.7 billion increased 7 percent over 1992 mostly due to higher average unit selling prices.

Record dollar sales outside the U.S. of $2.4 billion for 1994 increased 8 percent over the 1993 amount of $2.2 billion substantially due to record dollar and unit sales in the Europe division, principally higher results by the Company's affiliates in Italy and Germany. Dollar sales for the Asia Pacific division were flat compared to the prior year mostly due to the slow economic recovery, increased product competition (particularly private label) and a

market shift to lower margin products, all occurring in Japan. Dollar sales outside the U.S. of $2.2 billion in 1993 increased 4 percent over 1992 due to an increase in unit sales.

Total Company dollar and unit sales for 1995 are expected to increase slightly from 1994, due to projected increases in dollar and unit sales for the Europe division, U.S. Levi's(R) women's brand and U.S. Dockers(R) men's brand.

Gross Profit

As a percent of sales, the 1994 gross profit percentage of 40 percent was two percentage points higher than 1993 and 1992. In dollars, 1994 gross profit increased 8 percent compared to the prior year period, primarily due to lower U.S. production costs and higher overall average unit selling prices. Gross profit for 1993, in dollars, increased 5 percent from 1992 due to higher average unit selling prices and unit sales.

Lower 1994 U.S. production costs reflected the reversals of $85.9 million of 1994 and prior years workers' health and safety cost accruals. New state workers' compensation legislation in Texas, the Company's safety programs and alternative manufacturing systems implementation all had a positive effect on lowering workers' health and safety costs. These adjustments were partially offset by 1994 charges of $31.9 million for ongoing postretirement benefit expenses related to SFAS 106 (see Postretirement Benefits caption). In response to consumer demand for lower priced products, gross profit was additionally impacted by the U.S. men's Levi's(R) brand producing a higher percentage of lower margin Orange Tab(TM) products and a lower percentage of certain higher margin silverTab(TM) and 501(R) products compared to 1993. This trend is expected to continue in 1995.

The businesses outside the U.S. continue to record higher gross profit as a percent of sales than businesses in the U.S., mostly due to higher overall average unit selling prices. Additionally, compared to the U.S., the non-U.S. businesses sell a greater proportion of higher margin denim bottoms (predominately 501(R) and Red Tab(TM) products). The 1994 gross margin percentage for the businesses outside the U.S. was flat compared to the prior year period. Higher gross margin

percentages in the Company's affiliates in the Far East (principally Korea and the Philippines) offset inventory markdowns for basic denim products in Japan. The markdowns resulted from a change in consumers' preferences from heavy weight basic denim products to more light-weight denim/rayon blend products. (See Inventories caption for additional information.)

The businesses outside the U.S. contributed 39 percent of total Company dollar sales, compared to 37 percent for 1993 and 1992. Additionally, the non-U.S. businesses represented 50 percent of the Company's 1994 profit contribution before corporate expenses and taxes, compared to 54 percent in 1993 and 53 percent in 1992. The lower 1994 profit contribution percentage was primarily due to lower 1994 U.S. production costs compared to 1993.

Marketing, General and Administrative Expenses

As a percentage of sales, marketing, general and administrative expenses of 25 percent for 1994 was 1 percentage point higher than 1993 and 1992. Marketing, general and administrative expenses, in dollars, for 1994 increased 7 percent over 1993. This increase was mostly due to higher administrative, selling and information resource expenses. Marketing, general and administrative expenses in 1993 increased 6 percent over 1992 due to higher advertising, administrative, marketing and information resource expenses.

Administrative expense for 1994 increased 12 percent from the comparable 1993 period mostly due to compensation expense related to the adoption of the Management Liquidity Program (see Management Liquidity Program caption for additional information), expenses related to customer service initiatives in the U.S., higher earnings-related compensation costs and varied costs from non-U.S. affiliates. Administrative expense for 1993 increased 8 percent from 1992 mostly due to volume related commissions expense and higher office facility costs.

Selling expense for 1994 increased 22 percent over 1993 primarily due to higher 1994 sales and increased staffing required to support new and existing product lines in the U.S. Selling expense for 1993 increased slightly over 1992. Marketing expense for 1994 decreased 1 percent from 1993. Marketing expense for 1993 increased 7 percent from 1992, primarily due to additional U.S. merchandising personnel and higher costs associated with the use of sample products in the U.S.

Information resource expense for 1994 increased 8 percent compared to the prior year primarily due to increased compensation and professional fees incurred in connection with the Company's U.S. initiative on customer service. Information resource expense for 1993 increased 8 percent from 1992 due to higher lease costs related to certain telecommunications equipment and depreciation related

to new mainframe computer equipment. The majority of systems and software costs related to the Company's U.S. initiative to improve customer service are not expected to occur until 1995 and 1996 (see Additional Information section).

Advertising expense for 1994 decreased 1 percent from the prior year mostly due to planned reductions in media production expenditures and cooperative advertising in the U.S. that were partially offset by increased advertising expense for the Company's affiliates in Germany and Korea. Advertising expense for 1993 increased 8 percent over 1992 substantially due to U.S.

and Europe advertising campaigns and increased point-of-sale and media advertising in Europe. (See Business section, under Item 1, for additional information.)

Stock Option Charge

During 1992, the Company offered a special payment arrangement under the 1985 Stock Option Plan to facilitate the exercise by optionholders of their outstanding options. As a result of this arrangement, holders of 65 percent of all outstanding options participated in this arrangement and the Company recognized a pre-tax stock option charge of $158.0 million for all outstanding options during 1992. Separately, the Company also recorded compensation expense for related exercise bonuses and the accelerated use of presently non-vested options. Additionally, the Company disbursed $41.9 million to pay related withholding taxes for optionholders and $4.4 million for related exercise bonuses. A total of 532,368 shares of Class L treasury shares were reissued and 392,755 shares of treasury stock were retired. There were 499,749 options still outstanding and exercisable after this transaction.

The net change in Stockholders' Equity in 1992 due to these stock option transactions (including the after-tax effect of the stock option charge) was an increase of $9.2 million.

Other Operating (Income) Expense, Net

Other operating income, net for 1994 increased $28.9 million from 1993 mostly due to expenses incurred in 1993 for idle facilities, relocation of certain operations and costs recognized for a decline in value on existing capital assets as a result of the Company's U.S. initiative to improve customer service. Additionally, the Company recorded higher 1994 licensee income. The operating income increase was partially offset by the recognition in 1994 of costs associated with environmental-related soil remediation of a facility previously owned by the Company and income recognized in 1993 from joint ventures. There was no joint venture income in 1994 due to the consolidation of certain joint ventures (see Inventory caption for additional information).

Other operating expense, net for 1993 increased $14.3 million from 1992 mostly due to costs recognized for a decline in value on existing capital assets related to the Company's U.S. initiative to improve customer service, costs related to idle facilities, relocating certain operations and establishing new operations outside the U.S.

Interest Expense

Interest expense decreased 47 percent from 1993 primarily due to lower 1994 average debt balances. Interest expense in 1993 was 30 percent lower than 1992 due to lower interest rates and lower average debt balances. Cash flows from operations were used to reduce debt levels over the last two years, resulting in the lower average debt balances. (See Liquidity and Capital Resources caption for additional information.)

The average interest rate in 1994 was approximately 18 percent compared to 9 percent in 1993 and 10 percent in 1992. The increase over last year reflects the high interest markets of non-U.S. countries where most of the Company's debt resides. The average interest rate also reflects the negative impact of the Company's use of interest rate swap transactions (which were all terminated by the end of 1994) to hedge interest rate fluctuations. The interest rate swap transactions were cancelled due to lower average U.S. debt levels. The gains and losses

recognized from these cancellations were recorded as other (income) expense, net. (See Note 6 to the Consolidated Financial Statements.)

The Company expects 1995 interest expense related to borrowings to be lower than 1994 due to anticipated lower 1995 average debt levels (see Liquidity and Capital Resources caption).

Other (Income) Expense, Net

Other expense, net increased $35.1 million in 1994 from the prior year period mostly due to greater 1994 net foreign currency transaction losses and costs

associated with foreign currency exchange contracts. The net foreign currency transaction losses were mostly due to the weakening of the U.S. dollar compared to European currencies and the Japanese Yen during 1994. (See Notes 1 and 7 to the Consolidated Financial Statements regarding foreign currency exchange contracts.) Additionally, higher 1994 translation losses were recorded by the Company's affiliate in Turkey, which operates in a high inflationary environment. Higher 1994 interest income on investments partially offset the increase in 1994 other expense, net.

The $6.7 million increase in other income, net for 1993 compared to 1992 was primarily attributable to lower interest rate swap termination costs and fewer terminations of lease agreements with tenants. The increase was partially offset by lower interest income on investments.

Provision for Taxes

The increase in the 1994 provision for taxes compared to 1993 was due to higher 1994 earnings. The 1994 effective tax rate was 40 percent compared to 41 percent in 1993 and 43 percent in 1992. The lower 1994 rate was primarily due to a change in the mix of U.S. and non-U.S. earnings, lower state taxes and a decrease in taxes on undistributed earnings of non-U.S. subsidiaries.

The increase in the 1993 provision for taxes compared to 1992 was substantially due to lower 1992 earnings caused by the stock option charge. The 1993 effective tax rate was 41 percent compared to 43 percent in 1992. The reduction in the 1993 effective tax rate from 1992 was primarily due to the mix of non-U.S. and U.S. earnings and the negative effects of the one time stock option charge in 1992. The stock option charge produced a tax benefit of only 27 percent because of its negative impact on the utilization of foreign tax credits in 1992. In addition, the 1993 effective tax rate would have been lower, except for the 1993 U.S. tax bill that increased the U.S. statutory tax rate to 35 percent from 34 percent and, therefore, resulted in a 1 percent increase to the Company's 1993 full year effective tax rate.

The Company complied with the provisions of SFAS No. 109 "Accounting for Income Taxes", which requires an asset and liability approach for financial accounting and reporting of income taxes as of November 29, 1993. The adoption resulted in an $11.9 million credit to income, which was recorded as a cumulative effect of changes in accounting principles on the Consolidated Statements of Income. Upon adoption, deferred tax assets and deferred tax liabilities were adjusted accordingly. (See Note 3 to the Consolidated Financial Statements for additional information.)

Postretirement Benefits

The Company recorded a one-time, non-cash charge against earnings of $402.3 million before taxes and $248.4 million after taxes due to the adoption of SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" effective November 29, 1993. This charge was recorded as a cumulative effect of a change in accounting principles, net of income tax effects, on the Consolidated Statements of Income with a corresponding amount recorded to employee related benefits on the Consolidated Balance Sheet. The adoption of SFAS No. 106 also resulted in additional ongoing expenses for service and interest costs related to postretirement benefits, which were $43.0 million in 1994 (see Note 11 to the Consolidated Financial Statements).

FINANCIAL CONDITION AND LIQUIDITY

The following discussion compares the liquidity position and certain balance sheet items of the Company as of year-end 1994 and 1993.

Trade Receivables

Trade receivables increased 6 percent from 1993 reflecting record fourth quarter 1994 dollar sales. This increase included higher non-U.S. trade receivables as a result of increased dollar sales in the Company's affiliates in Italy and Germany. As a percent of sales, trade receivables for year-end 1994 decreased 4 percent from 1993 due to improved collections as a result of the recovering U.S. economic environment.

Inventories

Inventories at year-end 1994 decreased 1 percent from the prior year period reflecting a 6 percent decrease in U.S. inventories that was mostly offset by an 11 percent increase in non-U.S. inventories. Inventory turnover for 1994 increased 6 percent from 1993 mostly resulting from sales outpacing inventory growth in the U.S. Levi's(R) brand.

The reduction in U.S. inventories was due to lower Levi's(R) and Brittania(R) product line inventories that were partially offset by higher Dockers(R) product line inventories. The Company's efforts to reduce inventory levels, including improved production planning, resulted in the lower Levi's(R) brand inventories at year end. Levi's(R) brand inventories are expected to rise during the first

half of 1995 to meet anticipated demand. The impact of longer leadtimes on wrinkle-resistant products in 1994 and an anticipated increase in sales during the first half of 1995 caused the men's Dockers(R) brand work-in-process inventories to increase during 1994 from year-end 1993.

The increase in inventories outside the U.S. was mostly due to higher projected 1995 sales demand (consisting primarily of denim bottoms) in the Company's affiliates in Italy and Germany. In addition, inventories in the Europe division grew in 1994 due to the consolidation of entities that were previously accounted for by the equity method of accounting.

Inventories in Japan at year-end 1994 were relatively flat compared to 1993. During 1994, the Company's Japanese affiliate shifted some of its product mix to denim/rayon blend products in response to a change in consumers' preferences from basic denim products to light-weight products. As a result of this shift, inventory markdowns for basic denim products were recorded in Japan during 1994. The Company is monitoring inventory levels in Japan for 1995.

At year-end 1994, unshipped orders were 10 percent above the previous year and order cancellations decreased 15 percent from 1993, both mostly due to stronger anticipated first half 1995 sales in the U.S.

Property, Plant and Equipment

Property, plant and equipment, net for 1994 increased 13 percent from year-end 1993 due to capital expenditures that were partially offset by depreciation expense during the period. Capital expenditures were $176.4 million in 1994 and $142.8 million in 1993.

Approximately $71.0 million of 1994 capital expenditures was related to the Company's U.S. initiative on customer service primarily for the purchase of land and equipment, and design and engineering costs, for one remodeled and two new customer service centers. Additionally, U.S. business expenditures included equipment and leasehold improvements in connection with the data center relocation outside of California, in accordance with the Company's disaster recovery plan.

Outside the U.S., a significant portion of capital expenditures were for the construction of a distribution and administrative office facility and purchase of new equipment in Germany. This facility is being built to both modernize work processes and respond to changing customer service needs. Other capital expenditures outside the U.S. included distribution facility upgrades in France and Italy, water treatment upgrades for European manufacturing and finishing facilities, and ongoing expenditures to support non-U.S. affiliates needs.

At year-end 1994, the Company had capital expenditure purchase commitments outstanding of approximately $249.5 million. Approximately 89 percent of these commitments are related to the Company's U.S. initiative on customer service and approximately 6 percent are for other equipment needs in North America. The remaining commitments are for worldwide general office and facilities needs. During 1994, the Company negotiated and signed an equipment contract with Computer Aided Systems, Inc. relating to the purchase and installation of materials handling systems (including research and development activities) for the new U.S. customer service centers. Additionally, the Company negotiated and signed a design, engineering, procurement and construction services agreement with Fluor Daniel, Inc. relating to the design and construction of the U.S. customer service center buildings.

The Company anticipates authorizations for capital expenditures of approximately $196.0 million for new 1995 projects. Spending on projects during the 1995 year (which included authorizations from previous years) is expected to be $353.0 million, including approximately $207.0 million related to the Company's U.S. initiative on customer service. Spending requirements have not yet been determined for the Levi Strauss International (LSI) customer service initiatives. (See Additional Information section).

Working Capital

Working capital of $1.6 billion at the end of 1994 increased $550.4 million from year-end 1993 with the current ratio increasing to 2.4 from 1.9. The increase in working capital was substantially due to higher cash and cash equivalents from operations.

Liquidity and Capital Resources

The increase of $560.6 million in cash and cash equivalents from year-end 1993 was mostly due to cash provided by operations that was partially used for purchases of property, plant and equipment and the net repayment of debt. Remaining cash balances were invested in money market interest bearing investments maturing under one year. Additionally, the Company anticipates utilizing a portion of this cash in 1995 to fund costs relating to its global

initiatives on customer service and other capital expenditure projects (see Additional Information section).

During 1994, the Company renegotiated and amended its primary credit agreement to reduce its $500.0 million unsecured working capital facility to a $200.0 million 364 day revolving line of credit, which is convertible at the option of the Company into a three-year term loan. This amendment reflects the lower financing needs of the Company. Also during 1994, the Company repaid $50.0 million on its working capital loan and repaid its second and third series of dividend notes payable to Class L stockholders totaling $38.6 million, plus accrued interest of $2.0 million. At November 27, 1994, the Company had no borrowings outstanding on its primary credit agreement. At year-end 1994, the Company's total outstanding debt balance was $66.4 million (mostly outside the U.S.), 54 percent lower than year-end 1993.

Subsequent to year-end, the Company repaid its fourth and final series of dividend notes to Class L stockholders for an aggregate amount of $20.6 million, plus interest accrued of $1.9 million (see Notes 6 and 22 to the Consolidated Financial Statements for additional information).

The Company uses forward and option currency contracts to reduce the risks of foreign currency fluctuations on its non-U.S. dollar denominated operations. The Company's market risk is directly related to fluctuations in the currency exchange rates. The Company's credit risk is limited to the currency rate differential for each agreement if a counterparty failed to meet the terms of the contract. These instruments are executed with credit worthy financial institutions and the Company does not anticipate nonperformance by any counterparties. (See Notes 1 and 6 to 8 to the Consolidated Financial Statements for additional information.)

For information regarding the sale of Class E common stock to the Company's employee investment plans, see Note 12 to the Consolidated Financial Statements.

Stock Appreciation Rights Grant

In November 1994, the Board of Directors granted 90,000 stock appreciation rights (SARs) to certain executives at an initial grant value of $129 per SAR. In addition, stock based awards, based on a valuation of $129 per share, were granted to two of the five most highly compensated executive officers of the Company. These executives were given the choice to receive 40,000 SARs each or participate in a Class L stock purchase arrangement in which the Company would loan each of these two executives approximately $4.9 million to purchase Class L stock. These executives have until the end of April 1995 to make their decision. (See Note 15 to the Consolidated Financial Statements.)

Repurchase of Class L Common Stock

During the first quarter of 1994, the Company purchased 83,949 shares of Class L common stock, for a total of $9.6 million, held by certain management stockholders that have left the

employment of the Company. The purchase price of $114 per share was the appraised value as determined by a valuation obtained in November 1993 from an independent investment banking firm for the Company's employee stock plans. (See Note 20 to the Consolidated Financial Statements.)

Management Liquidity Program

During 1994, the Board of Directors and stockholders approved a stock liquidity program (the "Liquidity Program") for management holders of Class L common stock. The Liquidity Program allowed the Company to enter into contracts with then-existing management holders of Class L common stock relating to in-service, employment separation-related and post-separation stock purchases. Holders of 1,047,280 shares of Class L common stock (including outstanding options) participate in this program. They may annually sell a specified amount of their stock to the Company, subject to certain limitations and conditions. The program also entitles the Company to purchase all of the shares held by a management holder at the time of separation from employment.

Participating shares were classified on the balance sheet "outside" of stockholders' equity due to the liquidity feature. As a result of this Liquidity Program, the Company incurred a pre-tax compensation expense for participating stock options and related exercise bonus of $6.0 million and $13.2 million, respectively, (based on the current appraised stock value of $134 per share). In addition, the Company reclassified common stock outside of stockholders' equity of approximately $138.6 million and recorded a reduction in stockholders' equity of approximately $132.6 million. Future changes in the stock valuation will result in periodic adjustments to compensation expense for participating stock options, participating share balances and retained earnings. Actual purchases of stock by the Company under the Liquidity Program will result in cash outflows.

Subsequent to year-end, the Company repurchased and subsequently retired 70,842

shares of management Class L common stock, pursuant to the Liquidity Program, at the current appraised stock value of $134 per share totaling $9.5 million. (See Note 17 to the Consolidated Financial Statements.)

Payment of Dividends on Common Stock

In June 1994, the Board of Directors declared a dividend of $.65 per share (totaling $.9 million), which was paid on August 31, 1994 to Class E stockholders of record on July 29, 1994. On November 17, 1994, the Board of Directors declared a dividend of $.65 per share (totaling $.9 million), which was paid on December 15, 1994 to Class E stockholders of record on December 1, 1994. There were no dividends declared on Class L common stock during 1994. (See Notes 20 and 22 to the Consolidated Financial Statements for additional information.)

ADDITIONAL INFORMATION
Strategic Initiatives

The Company is continuing its process of examining and re-engineering various aspects of its brand marketing, customer service and operations/distribution strategies. These initiatives include: aligning the Company's U.S. marketing divisions according to its Levi's(R), Dockers(R) and Brittania(R) brands, developing a customer base and product distribution system that is consistent with its brand image, reconfiguring the organization from a functional to a process

orientation, implementing a team-based approach to manufacturing and opening Company owned and joint venture retail stores. (See Strategic Initiatives caption of the Business section, under Item 1, for additional information.)

U.S. Customer Service Initiative

The Company is currently focusing on certain aspects of the U.S. initiative to be completed within the original time frame of November 1996. The Company will focus on other areas of the initiative after the initial areas are completed to mitigate disruption to the Company's ongoing business and strain on Company resources, including its employees.

Since 1993 and over the next several years, the Company plans to incur total capital expenditures of over $400.0 million to support the new U.S. distribution network, expanded system requirements, organization and manufacturing changes. Included in this total capital expenditure projection is over $290.0 million related to the construction, renovation and retrofitting of new and existing customer service centers. The total capital expenditure projection amount includes previously recognized capital expenditures of approximately $81.0 million.

Additionally, the Company plans to spend approximately $450.0 million for transitional expenses, including costs related to the implementation of new software applications, reengineering design and planning, implementation of organization and process changes, training, education and other related expenses. The total amount of transitional expenses include previously recognized expenses of approximately $70.0 million. These costs will be recognized ratably throughout the implementation period and/or as expenses occur, depending on the nature of the cost and the decisions made related to this initiative. (See Strategic Initiatives caption of the Business section, under Item 1, for additional information.)

LSI Customer Service Initiatives

The LSI customer service initiatives began in late 1993 and encompasses the Company's affiliates in the Europe, Latin America and Asia Pacific divisions. The objective of the LSI initiatives is to build the capabilities within the LSI organization to make customer service a competitive advantage. The LSI customer service initiatives will be highly selective and focused with a varying degree of impact and modification to affiliate organizations. It is too early to determine the amount of capital expenditures and transitional expenses the Company will incur for the LSI initiatives until the design phase is completed. It is expected, however, that the total cost will be less than the costs for the U.S. initiative. These initiatives are expected to be completed over the next several years. (See Strategic Initiatives caption of the Business section, under Item 1, for additional information.)

U.S. Company-Owned Retail and Outlet Stores/Retail Joint Venture

The Company is planning to own and operate retail and outlet stores in the U.S. that sell only Levi's(R) and Dockers(R) brand products. These stores will include Original Levi's(R) Stores, Dockers(R) Shops and separate outlet stores, in all cases selling only Levi's(R) or Dockers(R) products. The Company expects to open approximately 190 of these stores within the next five years. The Company plans to operate flagship (premier) stores only in key markets and locations most able to help the Company achieve its primary focus of maintaining a high brand image, such as downtown urban locations and selected high

visibility regional malls. The

Company plans to operate outlet stores dedicated to each brand in areas outside major markets in key outlet malls. The Company expects to spend approximately $90.0 million for capital expenditures during the next few years in connection with this program.

This program is in addition to the plans the Company has with Designs, Inc. to establish a joint venture that will own and operate, in the northeastern U.S., approximately 50 Original Levi's(R) Stores selling only Levi's(R) jeans and jeans-related products. The Company will have a 30 percent equity interest in the U.S. joint venture. Venture establishment was approved by the Federal Trade Commission subsequent to year-end. The venture formed and began operations in January 1995. (See Strategic Initiatives caption of the Business section, under Item 1, for additional information.)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item and not presented on the following pages is contained in the Supplemental Financial Schedules that are included in this Form 10-K.

CONSOLIDATED FINANCIAL STATEMENTS

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES

For the Years Ended November 27, 1994, November 28, 1993 and November 29, 1992

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars In Thousands Except Per Share Data)

<TABLE>
<CAPTION>

	Year Ended November 27, 1994/(1)/	Year Ended November 28, 1993/(1)/	Year Ended November 29, 1992/(1)/
<S>	<C>	<C>	<C>
Net sales	$ 6,074,321	$ 5,892,479	$ 5,570,290
Cost of goods sold	3,632,406	3,638,152	3,431,469
Gross profit	2,441,915	2,254,327	2,138,821
Marketing, general and administrative expenses	1,493,234	1,394,170	1,309,352
Stock option charge	--	--	157,964
Other operating (income) expense, net	(20,448)	8,418	(5,882)
Operating income	969,129	851,739	677,387
Interest expense	19,824	37,144	53,303
Other (income) expense, net	18,410	(16,718)	(7,479)
Income before taxes and cumulative effects of changes in accounting principles	930,895	831,313	631,563
Provision for taxes	373,402	338,902	270,726
Income before cumulative effects of changes in accounting principles	557,493	492,411	360,837
Cumulative effects of changes in accounting principles:			
Postretirement benefits other than pensions (SFAS 106), net of applicable income tax benefits of $153,885	248,429	--	--
Income taxes (SFAS 109)	(11,912)	--	--
Net income	320,976	492,411	360,837
Dividends on preferred stock	--	--	1,895
Net income available for common stockholders	$ 320,976	$ 492,411	$ 358,942

Income per common share:			
Income before cumulative effects of changes in accounting principles	$ 10.59	$9.38	$6.91
Postretirement benefits other than pensions (SFAS 106)	4.72	--	--
Income taxes (SFAS 109)	(0.23)	--	--
Net income	$ 6.10	$ 9.38	$ 6.91
Average common shares outstanding	52,639,433	52,513,160	51,928,655

/(1)/ Fiscal years 1994 and 1993 each contained 52 weeks. Fiscal year 1992 contained 53 weeks.

The accompanying notes are an integral part of these financial statements.

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	November 27, 1994	November 28, 1993
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 813,320	$ 252,673
Trade receivables (less allowance for doubtful accounts: 1994 - $28,066; 1993 - $28,551)	908,690	858,117
Inventories:		
Raw materials	122,947	109,289
Work-in-process	165,180	135,797
Finished goods	494,636	546,754
Total inventories	782,763	791,840
Deferred tax assets	66,160	70,979
Other current assets	95,005	116,815
Total current assets	2,665,938	2,090,424
Property, plant and equipment (less accumulated depreciation: 1994 - $454,376; 1993 - $364,830)	669,606	594,592
Goodwill and other intangibles (less accumulated amortization: 1994 - $180,920; 1993 - $175,538)	341,355	361,936
Noncurrent deferred tax assets	204,574	20,466
Other assets	43,836	41,242
	$3,925,309	$3,108,660
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 25,974	$ 42,695
Short-term borrowings	23,701	10,094
Accounts payable	286,675	259,747
Accrued liabilities	339,395	370,094
Salaries, wages and employee benefits	279,038	250,291
Taxes payable	142,348	139,641
Dividends payable	1,266	688
Total current liabilities	1,098,397	1,073,250

</TABLE>

The accompanying notes are an integral part of these financial statements.

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

<TABLE>
<CAPTION>

	November 27, 1994	November 28, 1993
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY (continued)		
Long-term debt and capital lease obligations -		
Less current maturities	16,720	93,050
Long-term employee related benefits	720,168	293,147
Long-term tax liability	393,360	334,627
Minority Interest	36,837	30,047
Common Stock - Employee Stock Purchase and Award Plan and Management Liquidity Program:		
Class E common stock - $.10 par value; issued: 1994 - 431,123 shares; 1993 - 300,848 shares (Redemption value $57,770)	43	30
Class L common stock - $.10 par value; issued: 1994 - 547,531 shares; 1993 - no shares (Redemption value $138,587)	55	--
Additional paid-in capital, common	188,144	33,475
Total common stock - Employee Stock Purchase and Award Plan and Management Liquidity Program	188,242	33,505
Stockholders' Equity:		
Class E common stock - $.10 par value; authorized 100,000,000 shares; issued and outstanding: 1994 - 939,747 shares; 1993 - 894,172 shares	94	89
Class L common stock - $.10 par value; authorized 170,000,000 shares; issued: 1994 - 51,279,219 shares; 1993 - 51,910,699 shares	5,128	5,191
Additional paid-in capital, common	187,369	242,572
Retained earnings	1,227,897	990,130
Translation adjustment	71,623	48,322
Pension liability	(701)	(16,574)
Treasury stock, at cost - Class E: 1994 - 10,221 shares; 1993 - 1,379 shares; Class L: 1994 and 1993 - 499,749 shares	(19,825)	(18,696)
Total stockholders' equity	1,471,585	1,251,034
	$3,925,309	$3,108,660

</TABLE>

The accompanying notes are an integral part of these financial statements.

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Series B Preferred Stock	Additional Paid-in Capital (Preferred)	Class E Common Stock	Class L Common Stock	Additional Paid-in Capital (Common)	Retained Earnings	Translation Adjustment	Pension Liability	Treasury Stock	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance November 24, 1991	$ 1,417	$ 75,081	$67	$5,230	$114,571	$ 332,006	$ 82,695	$ --	$(52,764)	$ 558,303
Redemption of Series B preferred stock (1,416,623 shares)	(1,417)	(75,081)								(76,498)
Reissuance of Class L treasury stock (532,368 shares) for stock option exercises					45,235				19,715	64,950
Retirement of Class L										

treasury stock (392,755 shares) for stock options surrendered				(39)	(559)	(13,945)			14,543	--
Increase to additional paid-in capital for unexercised Class L common stock options					59,220					59,220
Sale and Company contribution of Class E common stock and Class E treasury stock to qualified employee plans (128,147 shares)			12		11,755				38	11,805
Purchase of Class E treasury stock (1,786 shares) from ESAP participants									(201)	(201)
Dividends on preferred and common stock						(179,963)				(179,963)
Net income						360,837				360,837
Net gain on sale and purchase of subsidiary's treasury stock						108				108
Translation adjustment							(25,268)			(25,268)
Pension liability								(5,060)		(5,060)
Balance November 29, 1992	--	--	79	5,191	230,222	499,043	57,427	(5,060)	(18,669)	768,233

</TABLE>

The accompanying notes are an integral part of these financial statements.

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Series B Preferred Stock	Additional Paid-in Capital (Preferred)	Class E Common Stock	Class L Common Stock	Additional Paid-in Capital (Common)	Retained Earnings	Translation Adjustment	Pension Liability	Treasury Stock	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance November 29, 1992	--	--	79	5,191	230,222	499,043	57,427	(5,060)	(18,669)	768,233
Sale and Company contribution of Class E common stock and Class E treasury stock to qualified employee plans (104,642 shares)			10		12,350				536	12,896
Purchase of Class E treasury stock (4,638 shares) from ESAP participants									(563)	(563)
Dividends on common stock						(1,314)				(1,314)
Net income						492,411				492,411
Net loss on sale and purchase of subsidiary's treasury stock						(10)				(10)
Translation adjustment							(9,105)			(9,105)
Pension liability								(11,514)		(11,514)
Balance November 28, 1993	--	--	89	5,191	242,572	990,130	48,322	(16,574)	(18,696)	1,251,034

</TABLE>

The accompanying notes are an integral part of these financial statements.

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Series B Preferred Stock	Additional Paid-in Capital (Preferred)	Class E Common Stock	Class L Common Stock	Additional Paid-in Capital (Common)	Retained Earnings	Translation Adjustment	Pension Liability	Treasury Stock	Total Stockholders' Equity

Balance November 28, 1993	--	--	89	5,191	242,572	990,130	48,322	(16,574)	(18,696)	1,251,034
Purchase and retirement of management Class L common stock (83,949 shares)				(8)	(193)	(9,369)				(9,570)
Adoption of management liquidity program and subsequent reclassification of management Class L common stock to temporary equity (547,531 shares and 499,749 options)				(55)	(60,477)	(72,057)				(132,589)
Sale and Company contribution of Class E common stock and Class E treasury stock to qualified employee plans (52,502 shares)			5		5,467				826	6,298
Purchase of Class E treasury stock (15,769 shares) from ESAP participants									(1,955)	(1,955)
Dividends on common stock						(1,775)				(1,775)
Net income						320,976				320,976
Net loss on sale and purchase of subsidiary's treasury stock						(8)				(8)
Translation adjustment							23,301			23,301
Pension liability								15,873		15,873
Balance November 27, 1994	$ --	$ --	$94	$5,128	$187,369	$1,227,897	$71,623	$ (701)	$(19,825)	$1,471,585

The accompanying notes are an integral part of these financial statements.

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended November 27, 1994	Year Ended November 28, 1993	Year Ended November 29, 1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before cumulative effects of changes in accounting principles	$ 557,493	$ 492,411	$ 362,448
Adjustments to arrive at net cash provided by operating activities:			
Depreciation and amortization	114,986	111,818	97,394
Foreign exchange (gains) losses	30,144	(593)	(5,900)
Provision for deferred employee benefits	97,326	35,115	209,902
Payment of deferred employee benefits	(32,099)	(25,436)	(21,367)
Provision for workers' compensation claims	39,859	102,428	95,608
Payment of workers' compensation claims	(49,077)	(58,665)	(53,819)
Increase in trade receivables	(42,639)	(139,329)	(75,940)
(Increase) decrease in inventories	34,743	(67,428)	(85,981)
(Increase) decrease in other current assets	6,340	(9,309)	(28,221)
Increase in deferred tax assets	(2,242)	(30,380)	(37,191)
Increase (decrease) in accounts payable and accrued liabilities	(38,254)	51,262	34,173
Increase in salaries, wages and employee benefits	46,330	41,376	51,725
Decrease in taxes payable	(2,774)	(33,789)	(62,743)
Increase (decrease) in long-term employee related benefits	(28,190)	568	(45,956)
Increase in long-term tax liabilities	46,931	44,949	71,424
Other, net	(9,550)	(19,323)	(19,627)
Net cash provided by operating activities	769,327	495,675	485,929
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(176,357)	(142,841)	(145,619)
Proceeds from sale of property, plant and equipment	29,586	6,290	783
Increase (decrease) of net investment hedge	(5,487)	32,757	(9,362)
Other, net	--	--	(5,872)

Net cash used for investing activities	(152,258)	(103,794)	(160,070)

</TABLE>

The accompanying notes are an integral part of these financial statements.

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

<TABLE>
<CAPTION>

<S>	Year Ended November 27, 1994 <C>	Year Ended November 28, 1993 <C>	Year Ended November 29, 1992 <C>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long-term debt	(92,358)	(415,716)	(512,230)
Proceeds from sale of common stock to employee plans	21,622	29,512	14,543
Net increase (decrease) in short-term borrowings	13,952	(128,792)	68,438
Purchase of management Class L common stock	(9,570)	--	--
Dividends paid	(3,181)	(82,210)	(40,259)
Purchase of treasury stock and related fees	(1,129)	(27)	(201)
Proceeds from issuance of long-term debt	11	227,952	327,799
Redemption of preferred stock	--	--	(158,778)
Payment of optionholders' taxes relating to stock option charge	--	--	(41,866)
Other, net	(464)	(4,866)	(1,310)
Net cash used for financing activities	(71,117)	(374,147)	(343,864)
Effect of exchange rate changes on cash	14,695	(2,763)	144
Net increase (decrease) in cash and cash equivalents	560,647	14,971	(17,861)
Beginning cash and cash equivalents	252,673	237,702	255,563
Ending cash and cash equivalents	$ 813,320	$ 252,673	$ 237,702
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 18,841	$ 36,787	$ 55,543
Income taxes	328,121	364,064	311,972
Non-cash investing and financing activities:			
Capital lease obligations incurred	--	409	606
Dividends declared, but not yet paid - Common stock	1,266	688	157,141
Reclassification of management Class L common stock out of stockholders' equity due to Management Liquidity Program	138,587	--	--
Decrease in stockholders' equity due to Management Liquidity Program	(132,589)		
Notes issued for payment of dividends	--	77,116	--
Reissuance/retirement of Class L treasury stock	--	--	34,258
Increase in Class L common stock due to stock option charge and reissuance of Class L treasury stock	--	--	103,853

</TABLE>

The accompanying notes are an integral part of these financial statements.

Note 1
SIGNIFICANT ACCOUNTING POLICIES
Principles of Consolidation

The consolidated financial statements include the accounts of Levi Strauss Associates Inc. (LSAI or the Company) and all subsidiaries. All significant intercompany items have been eliminated.

Depreciation and Amortization Methods

Property, plant and equipment is carried at cost, less accumulated depreciation. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets. In the case of certain property under capital lease, depreciation is computed over the lesser of the useful life or the lease term.

Income Taxes

Deferred income taxes result from timing differences in the recognition of revenue, expense and credits for income tax and financial statement purposes. U.S. Federal income tax and foreign withholding taxes are provided on the undistributed earnings of non-U.S. subsidiaries to the extent that taxes on the distribution of such earnings would not be offset by tax credits.

Effective November 29, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". This statement requires a change from the deferral method of accounting for income taxes under Accounting Principles Board Opinion No. 11 to the asset and liability method of accounting for income taxes. Under SFAS No. 109, deferred tax assets and liabilities are established at the balance sheet date in amounts that are expected to be recoverable or payable when the difference in the tax bases and financial statement carrying amounts of assets and liabilities ("temporary differences") reverse. The 1994 adoption was recorded as a cumulative effect of a change in accounting principles on the Consolidated Statements of Income.

Restructuring Costs

Restructuring costs for severance are accrued when formal plans to restructure are adopted, the information has been communicated to affected employees, the plan specifically identifies certain employee information and involuntary terminations are expected to occur within one year from the date the plan was approved. In absence of a formal plan of restructuring for severance, costs are expensed as incurred. Employee retraining and relocation costs are not considered restructuring costs and are expensed as incurred. Other costs will be expensed as incurred or earlier depending on their nature.

Postretirement Benefit Plans

The Company adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" effective November 29, 1993. SFAS No. 106 requires the Company to recognize an expense to establish a "transition obligation", representing the value at the beginning of the year of the postretirement benefit obligation earned by employees and retirees

Note 1 (continued)
SIGNIFICANT ACCOUNTING POLICIES
Postretirement Benefit Plans (continued)

in prior periods. This transaction was recorded as a cumulative effect of a change in accounting principles, net of income taxes, on the Consolidated Statements of Income. Additionally, the Company recorded an expense for 1994 net periodic costs.

Income Per Common Share

Income per common share is computed by dividing income (after deducting dividends on preferred stock, if any) by the average number of common shares outstanding for the period.

Cash Equivalents

All highly liquid investments with an original maturity of three months or less are included as cash equivalents.

Inventory Valuation

Inventories are valued at the lower of average cost or market and include materials, labor and manufacturing overhead. Market is calculated on the basis of anticipated selling price less allowances to maintain the normal gross margin for each product.

Common Stock - Employee Stock Purchase and Award Plan and Management Liquidity Program

Stock held by participants of the Employee Stock Purchase and Award Plan (ESAP) and Management Liquidity Program are classified outside stockholders' equity due to the put rights attached to Class E and Class L common stock, respectively (see Notes 12 and 17).

Translation Adjustment

The functional currency for most of the Company's foreign operations is the applicable local currency. For those operations, assets and liabilities are translated into U.S. dollars at period-end exchange rates, and income and expense accounts are translated at average monthly exchange rates. Net exchange gains or losses resulting from such translation are accumulated as a separate component of stockholders' equity. The U.S. dollar is the functional currency for foreign operations in countries with highly inflationary economies, for which both translation adjustments and gains and losses on foreign currency transactions are included in other (income) expense, net.

Foreign Exchange Contracts

The Company enters into foreign exchange contracts to hedge against known foreign currency denominated exposures, particularly dividends and intracompany royalties, loans and other transactions from its foreign affiliates and licensees. Market value gains and losses on hedge instruments are recognized and offset foreign exchange gains or losses on existing exposures. The effects of exchange rate changes on transactions designated as hedges of net investments are included in the separate component of stockholders' equity. At November 27, 1994, the net effect of exchange rate changes due to net investment hedge transactions was a $28.5 million decrease to translation adjustment.

Note 1 (continued)
SIGNIFICANT ACCOUNTING POLICIES
Foreign Exchange Contracts (continued)

Gains or losses resulting from foreign currency exchange transactions (including certain foreign currency hedge transactions) and translation adjustments of foreign operations in countries with highly inflationary economies are included in other (income) expense, net, and amounted to losses of $51.6 million, $10.0 million and $10.2 million for 1994, 1993 and 1992, respectively.

Note 2
OPERATIONS

The following table presents information concerning U.S. and non-U.S. operations (all in the apparel industry).

<TABLE>
<CAPTION>

	1994	1993	1992
		(000's)	
<S>	<C>	<C>	<C>
Net Sales to Unaffiliated Customers:			
United States	$3,721,348	$3,715,054	$3,482,927
Europe	1,542,802	1,332,433	1,367,783
Other non-U.S.	810,171	844,992	719,580
	$6,074,321	$5,892,479	$5,570,290
Sales Between Operations:			
United States	$ 124,001	$ 163,627	$ 139,652
Europe	149	32	28
Other non-U.S.	39,767	36,730	34,467
	$ 163,917	$ 200,389	$ 174,147
Total Sales:			
United States	$3,845,349	$3,878,681	$3,622,579

Europe	1,542,951	1,332,465	1,367,811
Other non-U.S.	849,938	881,722	754,047
Eliminations	(163,917)	(200,389)	(174,147)
	$6,074,321	$5,892,479	$5,570,290
Contribution to Income Before Other Charges:			
United States	$ 572,097	$ 465,889	$ 460,218
Europe	409,227	365,821	362,174
Other non-U.S.	154,529	171,440	151,644
	1,135,853	1,003,150	974,036
Other Charges:			
Stock option charge	--	--	157,964
Corporate expenses, net	185,134	134,693	131,206
Interest expense	19,824	37,144	53,303
Income Before Taxes and Cumulative Effects of Changes in Accounting Principles:	$ 930,895	$ 831,313	$ 631,563
Assets:			
United States	$1,669,954	$1,643,230	$1,480,527
Europe	597,617	490,904	491,491
Other non-U.S.	350,437	361,361	273,355
Corporate	1,307,301	613,165	635,328
	$3,925,309	$3,108,660	$2,880,701

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3
INCOME TAXES

The U.S. and non-U.S. components of income before taxes and cumulative effects of changes in accounting principles are as follows:

<TABLE>
<CAPTION>

	1994	1993	1992
		(000's)	
<S>	<C>	<C>	<C>
U.S.	$582,321	$474,895	$305,144
Non-U.S.	348,574	356,418	326,419
	$930,895	$831,313	$631,563

</TABLE>

The provision for taxes consists of the following:

<TABLE>
<CAPTION>

	Federal	State	Non-U.S.	Total
		(000's)		
<S>	<C>	<C>	<C>	<C>
1994				
Current	$208,119	$ 20,037	$141,215	$369,371
Deferred	(1,070)	2,296	2,805	4,031
	$207,049	$ 22,333	$144,020	$373,402
1993				
Current	$177,651	$ 37,578	$157,537	$372,766
Deferred	(25,548)	(3,350)	(4,966)	(33,864)

	$152,103	$ 34,228	$152,571	$338,902
1992				
Current	$120,305	$ 45,861	$161,683	$327,849
Deferred	(43,597)	(9,145)	(4,381)	(57,123)
	$ 76,708	$ 36,716	$157,302	$270,726

At November 27, 1994, cumulative non-U.S. operating losses of $14.6 million generated by the Company are available to reduce future taxable income primarily between the years 1995 and 1999. The Company utilized all of its remaining foreign tax credit carryforwards in 1993.

Income tax expense (benefit) included in translation adjustment was $3.3 million, $(0.1) million and $(8.1) million for 1994, 1993 and 1992, respectively.

SFAS No. 109 "Accounting for Income Taxes" requires an asset and liability approach for financial accounting and reporting of income taxes. Under SFAS No. 109, deferred tax assets

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 (continued)
INCOME TAXES

and liabilities are established at the balance sheet date in amounts that are expected to be recoverable or payable when the difference in the tax bases and financial statement carrying amounts of assets and liabilities ("temporary differences") reverse. The Company complied with the provisions of SFAS No. 109 as of November 29, 1993. The adoption resulted in an $11.9 million credit to income, which was recorded as a cumulative effect of changes in accounting principles on the Consolidated Statements of Income. Upon adoption, deferred tax assets and deferred tax liabilities were adjusted accordingly.

Under SFAS No. 109, adopted as of November 29, 1993, temporary differences which gave rise to deferred tax assets and liabilities at November 27, 1994 were as follows:

	Deferred Tax Assets	Deferred Tax Liabilities
	(000's)	
Postretirement benefits	$173,634	$ --
Employee compensation and benefit plans	163,587	--
Inventory	40,657	--
Depreciation and amortization	28,390	36,669
Foreign exchange gains/losses	16,683	53,764
Restructuring charges	7,347	--
Tax on unremitted non-U.S. earnings	--	75,373
State income tax	--	5,364
Other	11,607	--
	$441,905	$171,170

The net deferred tax assets at November 27, 1994 were $270.7 million.

Under the provisions of APB No. 11, the approximate tax effects of timing differences giving rise to deferred income tax expense (benefit) resulted from:

	1993	1992
	(000's)	
Employee compensation and benefits	$(24,739)	$(50,648)
Accrued strategic organization costs	(9,888)	(6,122)
Undistributed non-U.S. earnings	(8,221)	9,729

Inventory capitalization and adjustments	6,008	2,186
Depreciation and amortization	228	(1,836)
Other	2,748	(10,432)
	$(33,864)	$(57,123)

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 (continued)
INCOME TAXES

The Company's effective income tax rate in 1994, 1993 and 1992 differs from the statutory federal income tax rate as follows:

<TABLE>
<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Statutory rate	35.0%	35.0%	34.0%
Changes resulting from:			
State income taxes, net of federal income tax benefit	1.5	2.7	4.4
Non-U.S. earnings taxed at different rates, including withholding taxes	1.4	2.2	1.3
Acquisition-related book and tax bases differences	1.3	1.3	2.2
Stock option charge/(1)/	--	--	1.7
Other, net	0.9	(0.4)	(0.7)
Effective rate	40.1%	40.8%	42.9%

- -----------------
</TABLE>
/(1)/ The stock option charge, which occurred during the third quarter of 1992, produced a tax benefit of only 27.2 percent in 1992 because of its negative impact on the current utilization of foreign tax credits.

The tax aspects of the Omnibus Budget Reconciliation Act of 1993 that was signed into law by President Clinton on August 10, 1993 will not materially affect the Company's future tax expense. The primary impact of the new tax law is a one percent increase in the statutory tax rate.

The consolidated U.S. income tax returns of the Company for 1983 through 1985 are under examination by the Internal Revenue Service (IRS). The examination includes the review of certain transactions relating to the 1985 leveraged buyout by the Company of Levi Strauss & Co. The IRS has not yet concluded its examination. The Company believes it has made adequate provision for income taxes and interest for all prior periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4
PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment, including both leased and owned assets stated at cost, are as follows:

<TABLE>
<CAPTION>

	1994		1993	
	Owned	Leased	Owned	Leased
<S>	<C>	<C>	<C>	<C>
	(000's)			
Land	$ 47,228	$ 5,134	$ 41,260	$ 5,134
Buildings and leasehold improvements	356,263	24,718	347,641	26,276
Machinery and equipment	565,686	6,632	503,501	7,453
Construction in progress	118,321	--	28,157	--
	1,087,498	36,484	920,559	38,863
Accumulated depreciation	(437,296)	(17,080)	(347,690)	(17,140)
	$ 650,202	$ 19,404	$ 572,869	$ 21,723

	==========	========	=========	========

</TABLE>

The Company has idle facilities and equipment (all in the U.S.), including closed plants and certain other properties, that are not being depreciated. The book value of these idle facilities and equipment was $6.9 million at November 27, 1994 and $30.6 million at November 28, 1993. The carrying values of idle facilities and equipment are not in excess of net realizable value. These facilities are being offered for sale or lease.

Depreciation expense for 1994, 1993 and 1992 was $94.2 million, $85.5 million and $73.1 million, respectively.

The Company plans to spend over $400.0 million for capital expenditures over the next few years in conjunction with its initiative to improve customer service. (See Business section, under Item 1, for additional information.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5
INTANGIBLE ASSETS

The components of intangible assets are as follows:

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
Goodwill	$351,722	$ 351,722
Acquisition intangibles	67,606	82,714
Tradenames	79,322	77,139
Intangible pension asset	2,518	4,858
Other intangibles	21,107	21,041
	522,275	537,474
Accumulated amortization related to goodwill	(81,377)	(72,590)
Other accumulated amortization	(99,543)	(102,948)
	$341,355	$ 361,936

</TABLE>

Goodwill, resulting from the 1985 acquisition of Levi Strauss & Co. by Levi Strauss Associates Inc., is being amortized through the year 2025. Acquisition intangibles include trained workforce, leasehold interest, research and development, and licenses. Acquisition intangibles and tradenames were valued as a result of the 1985 acquisition.

Intangible pension asset is not amortized, but is adjusted each year to correspond to changes in the minimum pension liability.

Amortization expense for 1994, 1993 and 1992 was $20.5 million, $24.0 million and $24.0 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6
DEBT AND LINES OF CREDIT

Debt and unused lines of credit are summarized below:

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
	(000's)	
Long-Term Debt:		
Unsecured:		
Dividend notes payable	$ 20,564	$ 59,123
Borrowings against working capital facility at variable interest rates, due in 1997	--	50,000
Other unsecured indebtedness	2,138	2,352
	22,702	111,475

Secured:		
Notes payable, at various rates, due in installments through 1997	7,465	11,183
	30,167	122,658
Current maturities	(22,981)	(42,122)
	$ 7,186	$ 80,536
Unused Lines of Credit:		
Long-term (all U.S.):	$200,000	$450,000
Short-term:		
U.S.	230,067	272,029
Non-U.S.	345,854	308,422

</TABLE>

Primary Credit Agreement

During 1994, the Company renegotiated and amended its primary credit agreement to reduce its $500.0 million unsecured working capital facility to a $200.0 million 364 day revolving line of credit, which is convertible at the option of the Company into a three-year term loan. Under the new revolving line of credit, commitment fees and interest rate basis points are lower than under the prior working capital facility.

The primary credit agreement requires the Company to maintain minimum levels of net worth, leverage and interest coverage. All borrowings under the primary credit agreement bear interest based on either the lending banks' base rate, the certificate of deposit rate or the LIBOR rate (at the Company's option) plus an incremental percentage. The interest rate on borrowings related to the primary credit agreement was 3.6 percent during 1994.

Note 6 (continued)
DEBT AND LINES OF CREDIT
Primary Credit Agreement (continued)

The Company's prior credit agreement established in 1993 provided for a $500.0 million unsecured working capital facility with more favorable terms than the previous credit agreement. Commitment fees were paid on the unused portion of the amounts available for borrowing.

Japanese Yen Credit Line Agreements

In 1993 the Company repaid all its outstanding 4.8 billion Japanese Yen loan amounts (U.S. dollar equivalent of $38.6 million at the time of repayment) and subsequently cancelled its two unsecured line of credit agreements with two Japanese banks for a total of 6.9 billion Japanese Yen.

Other Debt

During 1993, the Company issued four series of notes payable collectively totaling $77.1 million to Class L stockholders in partial payment of a dividend declared in November 1992. These notes were payable in four semi-annual installments commencing June 15, 1993 and bear an interest rate incrementally above the six-month Treasury Bill rate. During 1993, the Company repaid the first series of dividend notes to Class L stockholders for an aggregate amount of $18.0 million, plus accrued interest of $.4 million. During 1994, the Company repaid the second and third series of dividend notes to Class L stockholders totaling $38.6 million, plus accrued interest of $2.0 million. Subsequent to year-end on December 15, 1994, the Company repaid the fourth and final series of dividend notes to Class L stockholders for an aggregate amount of $20.6 million, plus accrued interest of $1.9 million.

Principal Debt Payments

The required aggregate long-term debt principal payments, excluding capitalized leases, for the next five years and thereafter are as follows:

<TABLE>
<CAPTION>

Year	Principal Payments
	(000's)
<S>	<C>

1995	$22,981
1996	6,999
1997	74
1998	--
1999	--
Thereafter	113

</TABLE>

Short-Term Credit Lines and Stand-By Letters of Credit

The Company has unsecured and uncommitted short-term credit lines available at various interest rates from various U.S. and non-U.S. banks. These credit arrangements may be cancelled by the lenders upon notice and generally have no compensating balance requirements or commitment fees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6 (continued)
DEBT AND LINES OF CREDIT
Short-Term Credit Lines and Stand-By Letters of Credit (continued)

The Company has $96.6 million of standby letters of credit with various international banks to serve as guarantees by the creditor banks to cover workers' compensation claims. The Company pays fees on the standby letters of credit and any borrowings against the letters of credit are subject to interest at various rates.

Interest Rate Swaps

The Company entered into interest rate swap transactions to hedge existing floating-rate or fixed-rate liabilities for fixed rates or floating rates. The net interest to be received or paid on the transactions was recorded as an adjustment to interest expense.

In 1994, due to lower debt levels, the Company terminated its remaining $100.0 million of interest rate swap agreements that hedged floating-rate liabilities for fixed rates. The termination resulted in a loss of $2.6 million that was included in other (income) expense, net.

In 1993, due to lower average debt levels, the Company terminated $100.0 million of interest rate swap agreements and assigned to a third party a $50.0 million interest rate swap agreement that hedged fixed-rate liabilities for floating rates. Additionally, the Company terminated $50.0 million and assigned to a third party $50.0 million of interest rate swap agreements that hedge floating-rate liabilities for fixed rates. The Company also terminated a $25.0 million one-way floating-rate swap transaction. These 1993 transactions resulted in a net gain of $.4 million that was included in other (income) expense, net. At year-end 1993, the Company had $100.0 million of interest rate swaps that hedge floating-rate liabilities for fixed rates.

In 1992, the Company terminated $150.0 million of swap agreements for a net loss of $5.6 million, included in other (income) expense, net.

Other

The weighted average interest rate on short-term borrowings outstanding at year-end 1994 and 1993 was 19.0 percent and 20.4 percent, respectively. These rates were relatively high in 1994 and 1993 as approximately 65 percent and 69 percent of the short-term borrowings balance outstanding at the end of 1994 and 1993, respectively, were related to borrowings in Eastern Europe, where the average interest rate was substantially higher than other Company borrowings.

Note 7
COMMITMENTS AND CONTINGENCIES

The Company has forward currency contracts to buy the aggregate equivalent of $124.4 million of the following foreign currencies: Netherlands Guilders, Italian Lire, British Pounds, Finnish Markkaa, French Francs, German Marks, Swiss Francs and Belgian Francs to hedge currency exposures resulting from intercompany transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 (continued)
COMMITMENTS AND CONTINGENCIES

The Company has forward currency contracts to sell the aggregate equivalent of $530.9 million of the following foreign currencies: Japanese Yen, Swedish Kroner, Spanish Pesetas, Norwegian Kroner, Netherlands Guilders, Italian Lire, British Pounds, Finnish Markkaa, French Francs, Danish Kroner, German Marks, Swiss Francs and Belgian Francs. These contracts hedge currency exposures

resulting from sourcing operations as well as net investment positions, intercompany royalties and dividend payments. In addition, the Company has Belgian Franc forward currency contracts to sell the aggregate equivalent of $132.5 million of the following foreign currencies: German Marks, French Francs, British Pounds, Greek Drachma, Italian Lire, Netherlands Guilders, Spanish Pesetas and Swedish Kroner. These contracts hedge currency exposures resulting from intercompany receivables and payables.

These contracts are at various exchange rates and expire at various dates through 1996.

In addition, the Company has the right to sell Japanese Yen for $10.0 million. This contract expires March 1995 and hedges the Company's net investment in its Japanese affiliate.

Realized and unrealized transaction losses on these contracts included in other (income) expense, net in 1994 were $21.1 million and $19.0 million, respectively.

The Company's market risk is directly related to fluctuations in the currency exchange rates. The Company's credit risk is limited to the currency rate differential for each agreement, if a counterparty failed to meet the terms of the contract. These instruments are executed with credit worthy financial institutions and the Company does not anticipate nonperformance by the counterparties. See Note 8 for additional information.

The Company evaluates environmental liabilities on an ongoing basis and, based on currently available information, does not consider any environmental exposure to be material. Additionally, the Company does not consider any pending legal proceedings to be material.

Note 8
FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts of certain financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Note 8 (continued)
FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and estimated fair value of the Company's financial instruments, on the balance sheet, at November 27, 1994 and November 28, 1993 are as follows:

<TABLE>
<CAPTION>

	1994		1993	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
		(000's)		
<S>	<C>	<C>	<C>	<C>
Long-term debt	$ 7,186	$ 7,186	$80,536	$ 80,536
Common stock:				
Employee Stock Purchase and Award Plan (ESAP)	49,655	57,770	33,505	34,297
Management Liquidity Program	138,587	138,587	--	--
Off-balance sheet financial instruments:				
Interest rate swap agreements (gain)/ loss position	--	--	--	9,729
Foreign exchange forward contracts (gain)/ loss position	--	20,744	--	(20,133)
Foreign exchange option contracts (gain)/ loss position	--	--	--	(293)

</TABLE>

Quoted market prices or dealer quotes are used to determine the estimated fair value of the majority of interest rate swap agreements, forward exchange contracts and option contracts. Other techniques, such as the discounted value of future cash flows, replacement cost, and termination cost have been used to determine the estimated fair value for long term debt and the remaining financial instruments. The estimated fair value of the ESAP and management liquidity program common stock is based on the latest valuation of Class E

common stock.

The carrying values of cash and cash equivalents, trade receivables, current assets, current maturities of long-term debt, short-term borrowings, taxes and dividends payable are assumed to approximate fair value. All investments mature in 90 days or less, therefore the carrying values are considered to approximate market value.

The fair value estimates presented herein are based on pertinent information available to the Company as of November 27, 1994 and November 28, 1993. Although the Company is not aware of any factors that would substantially affect the estimated fair value amounts, such amounts have not been updated since that date and, therefore, the current estimates of fair value

Note 8 (continued)
FAIR VALUE OF FINANCIAL INSTRUMENTS

at dates subsequent to November 27, 1994 and November 28, 1993 may differ substantially from these amounts. Additionally, the aggregation of the fair value calculations presented herein do not represent, and should not be construed to represent, the underlying value of the Company.

Note 9
LEASES

The Company is obligated under both capital and operating leases for facilities, office space and equipment.

At November 27, 1994, obligations under long-term leases are as follows:

<TABLE>
<CAPTION>

	Type of Lease	
	Capital	Operating
	(000's)	
<S>	<C>	<C>
Minimum Lease Payments:		
1995	$ 3,718	$ 49,083
1996	1,082	43,323
1997	1,045	41,200
1998	1,044	35,819
1999	1,044	34,090
Remaining years	12,925	28,683
Total minimum lease payments	20,858	$232,198
Amount representing interest	(8,331)	
Present value of net minimum lease payments	12,527	
Current maturities	(2,993)	
	$ 9,534	

</TABLE>

The total minimum lease payments on capital and operating leases have not been reduced by estimated future income of $14.8 million from noncancelable subleases.

In general, leases relating to real estate include renewal options of up to 20 years. Some leases contain escalation clauses relating to increases in operating costs. Certain operating leases provide the Company with an option to purchase the property after the initial lease term at the then-prevailing market value. Rental expense for 1994, 1993 and 1992 was $84.3 million, $75.1 million and $67.1 million, respectively.

Note 10
RETIREMENT PLANS

The Company has numerous non-contributory defined benefit retirement plans

covering substantially all employees. It is the Company's policy to fund its retirement plans based on actuarial recommendations consistent with applicable laws and income tax regulations. Plan assets, which may be denominated in foreign currencies and issued by foreign issuers, are invested in a diversified portfolio of securities including stocks, bonds, real estate investment funds and cash equivalents. The weighted average expected long-term rate of return on assets is 9.0 percent. Benefits payable under the plans are based on either years of service or final average compensation.

The funded status of the plans, as of November 27, 1994 and November 28, 1993, reconciles with amounts recognized on the balance sheet as follows:

<TABLE>
<CAPTION>

	Plans in Which Accumulated Benefits Exceed Assets		Plans in Which Assets Exceed Accumulated Benefits	
	1994	1993	1994	1993
			(000's)	
<S>	<C>	<C>	<C>	<C>
Actuarial present value of:				
Vested benefits	$119,998	$ 173,279	$ 71,996	$15,563
Non-vested benefits	5,011	10,115	4,675	505
Accumulated benefit obligation	125,009	183,394	76,671	16,068
Impact of future salary increases	112,598	114,476	4,489	3,602
Projected benefit obligation	237,607	297,870	81,160	19,670
Less plan assets at fair value	145,640	158,073	91,917	27,546
Plan assets less than (in excess of) projected benefit obligation	91,967	139,797	(10,757)	(7,876)
Unrecognized net gain (loss) from plan experience	(47,590)	(100,590)	(3,547)	1,074
Unrecognized prior service cost	(8,110)	(4,310)	(2,092)	(242)
Unrecognized net asset (liability) at transition	(12,381)	(13,514)	5,263	5,278
Adjustment required to recognize minimum liability	1,763	21,432	--	--
Accrued (prepaid) pension cost	$ 25,649	$ 42,815	$(11,133)	$(1,766)

</TABLE>

Unrecognized net liabilities at transition (established 1988) are being amortized primarily on a straight-line basis over 15 years. Past service costs are amortized on a straight line basis over the average remaining service period of employees expected to receive benefits.

Note 10 (continued)
RETIREMENT PLANS

The weighted average discount rate and the rate of increase in future compensation levels used to determine the actuarial present value of the projected benefit obligations for the plans were 8.0 percent and 7.0 percent, respectively, for 1994, 6.6 percent and 6.0 percent, respectively, for 1993 and 7.6 percent and 7.0 percent, respectively, for 1992. Changes in the discount rate and the rate of increase in future compensation levels used to measure the 1994 pension obligations resulted in increases to those obligations as compared to the prior year.

During 1994, the Company recorded a minimum liability of $1.8 million for one of its pension plans. The Company also recorded a corresponding intangible asset of $1.1 million and, since the required intangible asset exceeded the related prior service cost, an adjustment to stockholders' equity of $.7 million.

Net pension expense includes the following components:

<TABLE>
<CAPTION>

	1994	1993	1992
		(000's)	

<S>	<C>	<C>	<C>
Service cost of benefits earned during the period	$38,181	$ 29,225	$25,031
Interest cost on the projected benefit obligations	22,169	18,722	14,673
Gain on plan assets	(8,062)	(22,046)	(8,974)
Net amortization and deferrals	(63)	15,162	3,875
Net pension expense	$52,225	$ 41,063	$34,605

</TABLE>

Note 11
POSTRETIREMENT BENEFIT PLANS

The Company adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" effective November 29, 1993. The statement requires the Company to accrue postretirement benefits (other than pensions) over the period that an employee becomes fully eligible for benefits. Previously, the Company used a "pay-as-you-go" method whereby expenses were recorded as claims were incurred.

Upon adoption of SFAS No. 106, the Company recorded a one-time, non-cash charge against earnings of $402.3 million before taxes and $248.4 million after taxes. This transition obligation represents the actuarially determined value, at November 29, 1993, of the present value of the postretirement benefit obligation earned by retirees and employees in prior periods. The transition obligation was recorded in 1994 as a cumulative effect of a change in accounting principles, net of income tax effects, on the Consolidated Statements of Income.

The Company maintains two plans that provide postretirement defined benefits, principally health care benefits, to substantially all domestic retirees and their qualified dependents. These plans have been established with the intention and expectation that they will continue indefinitely.

Note 11 (continued)
POSTRETIREMENT BENEFIT PLANS

However, the Company retains the right to amend, curtail or discontinue any aspect of the plans at any time. Under the Company's current policies, employees become eligible for these benefits when they reach age 55 with 15 years of credited service. The plans are contributory as well as containing certain cost-sharing features, such as deductibles and coinsurance. The plans also provide for reimbursement of Medicare Part B premiums to participants over age 65. The accounting for retiree health care benefits anticipates future cost-sharing changes to the written plan consistent with the Company's expressed intent to limit, over time, the Medicare Part B premium reimbursement to 50% of the annual increase in the premium cost. The Company's policy is to fund postretirement benefits as claims and premiums are paid.

Postretirement benefit costs for 1994, exclusive of the transition obligation, include the following components:

<TABLE>
<CAPTION>

	1994
	(000's)
<S>	<C>
Service cost of benefits earned during the period	$17,515
Interest cost on the accumulated benefits obligation	25,494
Net Postretirement Benefit Costs	$43,009

</TABLE>

The actuarial present value of the Accumulated Postretirement Benefits Obligation (APBO) and amounts recognized on the Company's Consolidated Balance Sheets at November 27, 1994 are as follows:

<TABLE>
<CAPTION>

	1994
	(000's)
<S>	<C>
APBO attributed to:	

Retirees	$163,542
Fully eligible active participants	43,792
Other active participants	145,969
APBO	353,303
Less plan assets at fair value	--
APBO in excess of plan assets	353,303
Unrecognized net gain	79,324
Accrued postretirement benefit costs	$432,627

</TABLE>

The discount rate used to determine the APBO was 8.0% and 6.5% at November 27, 1994 and November 29, 1993, respectively. An 11.9% and 5.9% annual rate of increase in the health care trend rate and Medicare Part B trend rate, respectively, was assumed for 1994, declining gradually to 5.0% and 2.5% by the year 2008 and remaining at that rate thereafter. A one

Note 11 (continued)
POSTRETIREMENT BENEFIT PLANS

percentage point increase in the assumed health care trend rate for each future year would have increased the service cost and interest cost components of net postretirement benefit costs by approximately $9.0 million and would have increased the APBO as of November 27, 1994 by approximately $66.1 million.

Note 12
EMPLOYEE INVESTMENT PLANS

The Company maintains three employee investment plans. The Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc. (ESAP) is a non-qualified employee equity program for highly compensated (as defined by the Internal Revenue Code) employees. The Employee Investment Plan of Levi Strauss Associates Inc. (EIP) and the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan (ELTIS) are two qualified plans that cover non-highly compensated Home Office employees and U.S. field employees.

ESAP

Under the ESAP, eligible employees may invest up to 10 percent of their annual compensation, through payroll deductions, to directly purchase and hold shares of Class E common stock. Employee contributions are made on an after-tax basis. The Company may match 75 percent of the contributions made by employees in stock. Employees are always 100 percent vested in the Company match. Employees may elect to have their withholding taxes deducted from their match shares contributed by the Company. There are various put, call and first refusal rights associated with Class E common stock obtained through the ESAP. The ESAP generally prohibits all transfers of shares other than to the Company. Put rights associated with ESAP entitle participants to sell shares back to the Company in specified circumstances subject to certain restrictions and penalties. It also entitles the Company to buy back shares upon termination of the participant's employment. In all cases, shares are repurchased at the current appraised value of the shares during the semi-annual employee purchase periods. The intent of ESAP is to be a long-term investment plan and therefore the Company does not expect to repurchase large amounts of ESAP shares at any given time. See Note 20 for stock valuation information.

Shares held by participants of the ESAP are classified outside stockholders' equity due to the put rights attached to Class E common stock sold through the ESAP. The redemption value at the time of repurchase would be based on the latest valuation of Class E common stock.

Note 12 (continued)
EMPLOYEE INVESTMENT PLANS
ESAP (continued)

The following summary presents ESAP activity for the years ended November 27, 1994, November 28, 1993 and November 29, 1992:

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Total

<S>	<C>	(000's) <C>	<C>
Balance at November 24, 1991	$--	$ --	$ --
Sale of Class E stock to ESAP (67,771 shares at $84 per share; 34,166 shares at $122 per share)	10	9,851	9,861
Company contribution of Class E stock to ESAP (44,802 shares at $84 per share; 22,362 shares at $122 per share)	7	6,485	6,492
Balance at November 29, 1992	17	16,336	16,353
Sale of Class E stock to ESAP (27,797 shares at $116 per share; 51,614 shares at $138 per share)/(1)/	8	10,331	10,339
Company contribution of Class E stock to ESAP (18,578 shares at $116 per share; 33,758 shares at $138 per share)	5	6,808	6,813
Balance at November 28, 1993	30	33,475	33,505
Sale of Class E stock to ESAP (30,233 shares at $114 per share; 49,375 shares at $129 per share)/(1)/	8	9,849	9,857
Company contribution of Class E stock to ESAP (16,234 shares at $114 per share; 34,433 shares at $129 per share)	5	6,288	6,293
Balance at November 27, 1994	$43	$49,612	$49,655

</TABLE>
- ---------------------------
/(1)/ includes adjustment due to the reissuance of treasury stock purchased in 1993 and 1992, respectively

On January 18, 1995, employees under ESAP purchased 33,362 shares of Class E common stock from the Company, at $134 per share as determined by the valuation of an independent

Note 12 (continued)
EMPLOYEE INVESTMENT PLANS
ESAP (continued)

investment banking firm. The Company contributed 21,181 matching shares before taxes to these employees at a cost of approximately $2.8 million, which was included in fiscal 1994 compensation expense.

EIP/ELTIS

Under the qualified plans, eligible employees may contribute up to 10 percent of their annual compensation to various investment funds, including a fund that invests in Class E common stock. The Company may match 50 percent of the contributions made by employees to the fund that invests in Class E common stock. Effective for fiscal 1994 contributions, the Company may match 50 percent of the contributions made by employees to all funds maintained under the qualified plans. The additional compensation expense associated with this change was minimal.

Employees are always 100 percent vested in the Company match. The ELTIS also includes a company profit sharing provision with payments made at the sole discretion of the Board of Directors. The EIP allows employees a choice of either pre-tax or after-tax contributions. Employee contributions under the ELTIS are on a pre-tax basis only.

During 1994, certain assets of the EIP were transferred to, held by and under the control of a new trustee, Fidelity Management Trust Company. EIP participants may currently direct investments among a series of mutual funds offered under the EIP and managed by the new trustee. These mutual funds provide participants investment alternatives similar to those previously available under the EIP as well as increasing participant flexibility in managing their investments.

During 1994, the qualified plans collectively purchased 10,208 shares at $114 per share as determined by the valuation of an independent investment banking firm at the time of purchase. There were no shares purchased at $129 per share due to cash needs of the plan. In addition, the Company contributed 35,367

shares to these plans. It is anticipated that there may be similar cash requirements for both qualified plans in 1995.

During 1993, the qualified plans collectively purchased 47,351 shares and 14,436 shares at $116 and $138 per share, respectively, as determined by the valuation of an independent investment banking firm at the time of purchase (the $116 price was based on the independent valuation of $119 per share, less a $3 per share dividend paid after the valuation was issued but before the stock purchase). In addition, the Company contributed 38,263 shares to these plans. During 1992, the qualified plans purchased 35,997 shares and 13,283 shares at $84 and $122 per share, respectively, and the Company contributed 78,867 matching shares.

It is the Company's intent to have semi-annual sales of Class E common stock to the EIP, ELTIS and ESAP. However, the frequency of these sales may be dependent upon business and economic conditions.

Note 12 (continued)
EMPLOYEE INVESTMENT PLANS
EIP/ELTIS (continued)

On January 18, 1995, ELTIS purchased 2,109 shares of Class E common stock from the Company at $134 per share as determined by the valuation of an independent investment banking firm. There were no shares purchased from the EIP due to cash needs of the plan. In addition, the Company contributed 11,202 shares (which included a portion related to ELTIS profit sharing) to these plans at a cost of $1.5 million, which was included in fiscal 1994 compensation expense.

Home Office Cash Performance Sharing Plan

The Company has a Cash Performance Sharing Plan for all Home Office payroll employees that pays out based on a percentage of base salary and certain Company earnings criteria. Participants in the management incentive plan can receive up to 8 percent, while other Home Office employees can receive up to 12 percent, of their covered compensation (fiscal year salary and non-long-term performance plan bonus) under this plan. In 1995, the Company will implement a new performance and pay program replacing this program for salaried employees. (See Partners in Performance caption under Item 11 for additional information.)

The aggregate cost of providing all aspects of these plans, along with other savings and compensation plans in 1994, 1993 and 1992 were $52.2 million, $45.4 million and $46.0 million, respectively.

Note 13
MANAGEMENT INCENTIVE PLAN

The Company's Management Incentive Plan ("MIP") provides selected employees with incentive compensation and provides a tool for recruiting and retaining selected employees. Under the MIP, the Personnel Committee of the Board of Directors, as administrator of the MIP, may award discretionary cash payments to selected employees. Such awards are made on the basis of various factors, including profit levels, return on investment, salary grade and individual performance. The amounts charged to expense for the MIP in 1994, 1993 and 1992 were $15.8 million, $13.8 million and $12.8 million, respectively. This plan will be replaced by a new performance and pay program in 1995 (see Partners in Performance caption under Item 11 for additional information).

Note 14
LONG-TERM PERFORMANCE PLAN

The Company has a Long-Term Performance Plan ("LTPP"), to provide incentive and reward performance over time and potential future contributions, for certain directors, officers and key employees. Under this plan, a number of performance units are granted to each participant. The value assigned to each unit is based on the Company achieving a target performance measure over a three-year period, as determined by a committee of the Board of Directors. Awards are paid in one-third increments on the third, fourth and fifth anniversaries of the date of the grant. The amounts charged to expense for the plan in 1994, 1993 and 1992 were

Note 14 (continued)
LONG-TERM PERFORMANCE PLAN

$29.8 million, $25.7 million and $27.9 million, respectively. This plan will be replaced by a new performance and pay program in 1996 (see Partners in Performance caption under Item 11 for additional information).

Note 15

EXECUTIVE STOCK APPRECIATION RIGHTS PLAN

The Levi Strauss Associates Inc. Executive Stock Appreciation Rights Plan was established in 1992. A total of 90,000 stock appreciation rights (SARS) were granted in 1994 to certain executives at an initial grant value of $129 per SAR. These SARs vest over several years and become exercisable commencing in 1997. In addition, stock based awards, based on a valuation of $129 per share, were granted to two of the five most highly compensated executive officers of the Company. These executives were given the choice to receive 40,000 SARs each or participate in a Class L stock purchase arrangement in which the Company would loan each of these two executives approximately $4.9 million to purchase Class L stock. These executives have until the end of April 1995 to make their decision.

Also during 1994, 17,000 stock appreciation rights granted in 1992 were forfeited. There were no SAR grants during 1993. A total of 114,000 SARs were granted in 1992 at an initial grant value of $84 per SAR. The 1992 SARs vest over several years and become exercisable commencing in 1995. The amounts charged to expense for the plan (net of forfeitures) in 1994, 1993 and 1992 were $1.8 million, $.9 million and $.5 million, respectively.

Note 16
STOCK OPTION PLAN

The Company has a 1985 Stock Option Plan (the "Plan") for Class L common stock under which options are granted at an exercise price determined on the date of grant by a committee of the Board of Directors. Options under the Plan expire ten years from the date of grant and become exercisable as determined by the committee.

During the fourth quarter of 1994, all outstanding options became subject to the terms of the management liquidity program (see Note 17).

In 1992, the Board of Directors approved a special payment arrangement under the Plan to facilitate the exercise by optionholders of their outstanding options. This arrangement accelerated vesting on all non-vested options and allowed each optionholder to exercise outstanding options by surrendering a portion of these outstanding options in full payment of the exercise price and related tax obligations. Holders of 65 percent of all outstanding options participated in this arrangement. The special arrangement required the recognition of a fiscal 1992 pre-tax stock option charge of $158.0 million for all outstanding options (the amount equal to the difference between the fair market value of the underlying shares at the exercise date and at the grant date). Separately, the Company also recognized compensation expense for related exercise bonuses and the accelerated use of presently non-vested options. The Company

Note 16 (continued)
STOCK OPTION PLAN

disbursed $41.9 million to pay related withholding taxes for optionholders (in exchange for an equal amount of surrendered options) and $4.4 million for related exercise bonuses. The optionholders participating in this arrangement exercised 925,123 options resulting in 532,368 reissued treasury shares of Class L common stock. The Company also retired 392,755 shares of treasury stock, which was equal to the number of options surrendered. The net change in Stockholders' Equity (including the after-tax effect of the stock option charge) was an increase of $9.2 million.

The following summary presents stock option activity for the years ended November 29, 1992, November 28, 1993 and November 27, 1994:

<TABLE>
<CAPTION>

	Options Outstanding	Exercise/Surrender Price
<S>	<C>	<C>
Outstanding at November 24, 1991	1,424,872	$3.50 - 20.20
Exercised	(532,368)	$3.50 - 20.20
Surrendered	(392,755)	$3.50 - 20.20
Outstanding and exercisable at November 29, 1992	499,749	$ 3.50
No activity during 1993	--	--
Outstanding and exercisable at November 28, 1993	499,749	$ 3.50
No activity during 1994	--	--

Outstanding and exercisable at November 27, 1994	499,749	$ 3.50

</TABLE>

Note 17
MANAGEMENT LIQUIDITY PROGRAM

During 1994, the Board of Directors and stockholders approved a stock liquidity program (the "Liquidity Program") for management holders of Class L common stock. The Liquidity Program allowed the Company to enter into contracts with then-existing management holders of Class L common stock relating to in-service, employment separation-related and post-separation stock purchases. Holders of 1,047,280 shares of Class L common stock (including outstanding options) participate in this program. They may annually sell a specified amount of their stock to the Company, subject to certain limitations and conditions. The program also entitles the Company to purchase all of the shares held by a management holder at the time of separation from employment.

Participating shares were classified on the balance sheet "outside" of stockholders' equity due to the liquidity feature. As a result of this Liquidity Program, the Company incurred a pre-tax compensation expense for participating stock options and related exercise bonus of $6.0 million and $13.2 million, respectively, (based on the current appraised stock value of $134 per share).

Note 17 (continued)
MANAGEMENT LIQUIDITY PROGRAM

In addition, the Company reclassified common stock outside of stockholders' equity of approximately $138.6 million and recorded a reduction in stockholders' equity of approximately $132.6 million. Future changes in the stock valuation will result in periodic adjustments to compensation expense for participating stock options, participating share balances and retained earnings. Actual purchases of stock by the Company under the Liquidity Program will result in cash outflows.

Subsequent to year-end, the Company repurchased and subsequently retired 70,842 shares of management Class L common stock, pursuant to the Liquidity Program, at the current appraised stock value of $134 per share totaling $9.5 million.

Note 18
LONG-TERM EMPLOYEE RELATED BENEFITS

The components of long-term employee related benefits are as follows:

<TABLE>
<CAPTION>

	1994	1993
	(000's)	
<S>	<C>	<C>
Postretirement medical benefits	$418,622	$ --
Workers' Compensation	148,445	158,009
Other Deferred Employee Benefits	153,101	135,138
	$720,168	$293,147

</TABLE>

Included in workers compensation are accrued expenses related to the Company's program that provides for early identification and treatment of employee injuries. During 1994, the Company reduced its Workers' Compensation expense by $85.9 million, which represents a reversal of previously estimated costs for years 1994 and prior. The reduction was due to the positive effects of new state workers' compensation legislation in Texas and the Company's safety programs and alternative manufacturing systems implementation. Other deferred employee benefits include accrued liabilities for the Company's long-term performance plan, deferred compensation, benefit restoration, pension and other plans.

Note 19
SERIES A AND SERIES B PREFERRED STOCK

During 1992, the Company redeemed for cash and permanently retired all outstanding shares of Series A preferred stock at $170 per share, for an aggregate of $82.3 million, plus accrued and unpaid dividends of $1.1 million. The Company used cash from operations to purchase the shares. Dividend distributions of $4.3 million were paid in 1992. During 1992, all shares of Series B preferred stock were redeemed and permanently retired during 1992 at $54 per share for an aggregate of $76.5 million, plus accrued and unpaid

dividends of $3.2 million. Dividend distributions of $3.2 million were paid in 1992.

Note 20
COMMON STOCK
Restated Certificate of Incorporation

During 1993, holders of a majority of outstanding shares (approximately 60 percent) of the Company approved, by written consent, an amendment and restatement of the Company's Certificate of Incorporation (the "Restatement"). The Restatement simplifies and shortens the capital stock provisions of the Certificate of Incorporation. It removes the Company's authority to issue, and eliminates all references to, Class F common stock, Series A preferred stock and Series B preferred stock. It does not affect any provisions relating to Class E common stock or Class L common stock, or make any other changes in the Certificate of Incorporation.

Currently, the Company has an authorized capital structure consisting of: 270,000,000 shares of common stock, par value $.10 per share, of which 100,000,000 shares are designated Class E common stock and 170,000,000 shares are designated Class L common stock; plus 10,000,000 shares of preferred stock, par value $1.00 per share. Class L common stock is subject to a stockholders' agreement (expiring in April 2001), which limits transfers of the shares. Additionally, management Class L stockholders are parties to contracts with the Company providing for in-service, employment separation-related and post-separation stock purchases (see Note 17 for information relating to the Management Liquidity Program). The outstanding shares of Class E common stock are subject to restrictions on transfer imposed by the EIP, ELTIS and ESAP.

Dividends

In November 1994, the Board of Directors declared a dividend of $.65 per share (totaling $.9 million), which was paid on December 15, 1994 to Class E stockholders of record on December 1, 1994. In June 1994, the Board of Directors declared a dividend of $.65 per share (totaling $.9 million), which was paid on August 31, 1994 to Class E stockholders of record on July 29, 1994. There were no dividends declared on Class L common stock during 1994.

On November 18, 1993, the Board of Directors declared a dividend of $.55 per share (totaling $.7 million), which was paid on December 15, 1993 to Class E stockholders of record on December 1, 1993. In June 1993, the Board of Directors declared a dividend of $.55 per share, for an aggregate of $.7 million, which was paid on August 27, 1993 to Class E stockholders of record on July 30, 1993. There were no dividends declared on Class L common stock during 1993.

In November 1992, the Board of Directors declared a dividend of $3.00 per share (totaling $2.9 million), which was paid on December 15, 1992, to Class E stockholders of record on December 1, 1992. Also in November 1992, the Board of Directors declared a dividend of $3.00 per share to Class L stockholders of record on December 1, 1992, $1.50 of which (totaling $77.1 million) was paid on December 15, 1992 and $1.50 of which (totaling $77.1 million) is payable in four semi-annual installments commencing June 15, 1993. The notes issued for these dividends bear an interest rate incrementally above the six-month Treasury Bill rate.

Note 20 (continued)
COMMON STOCK
Dividends (continued)

In June 1992, the Board of Directors declared a common stock dividend of $.40 per share (totaling $21.0 million), which was paid on August 14, 1992, to Class E and Class L stockholders of record on July 31, 1992.

The declaration of future dividends on Class E and Class L common stock is within the discretion of the Board of Directors of the Company and will depend upon business conditions, earnings, the financial condition of the Company and other factors.

Treasury Stock Reissuance/Retirement

As a result of the special payment arrangement under the 1985 Stock Option Plan (see Note 16), 532,368 shares of Class L treasury stock were reissued and 392,755 shares of Class L treasury stock were retired during 1992. The net change in Stockholders' Equity (including the after-tax effect of the stock option charge) was an increase of $9.2 million.

Common Stock - Employee Investment Plans

Class E common stock held by participants of the ESAP (see Note 12) are classified outside stockholders' equity due to the put rights attached to ESAP Class E common stock sold. There were no Class E common shares offered for purchase to ESAP participants prior to 1992. The redemption amount of common stock sold through the ESAP represents the latest independent valuation of $134 per share.

Class E common stock is appraised, usually twice a year, by an independent investment banking firm. The latest appraised value of Class E common stock is used as the price for selling or repurchasing Class E common stock from the EIP and ELTIS trustee and ESAP participants. The latest appraised value of Class E common stock is also used as the value for Class L common stock, including participating shares of the Management Liquidity Program. The investment firm is instructed to value stock as though there had been a public trading market for the stock on the valuation date, and to not give consideration to an acquisition or control premium, or to a private market discount. There is, however, no assurance that the Company's stock would trade at the price determined through the independent investing banking firm valuation had there been a public trading market for the shares on the valuation date.

Common Stock - Management Liquidity Program

Participating Class L shares under the Management Liquidity Program (the Program) are classified outside stockholders' equity due to the liquidity feature under the Program (see Note 17). Program shares are shown on the balance sheet valued at the latest independent valuation of $134 per share.

Repurchase of Class L Common Stock

During the first quarter of 1994, the Company purchased 83,949 shares of Class L common stock, for a total of $9.6 million, held by certain management stockholders who left the

Note 20 (continued)
COMMON STOCK
Repurchase of Class L Common Stock (continued)

employment of the Company. The purchase price of $114 per share was the appraised value as determined by a valuation obtained in November 1993 from an independent investment banking firm for the Company's employee stock plans.

Note 21
RELATED PARTIES

See Item 13, Other Transactions, for related parties information.

Note 22
SUBSEQUENT EVENTS
Management Liquidity Program

During the first quarter of 1995, the Company repurchased and subsequently retired 70,842 shares of management Class L common stock, pursuant to the management liquidity program, at the current appraised stock value of $134 per share totaling $9.5 million (see Note 17).

Repayment of Dividend Notes

On December 15, 1994, the Company repaid its fourth and final series of dividend notes to Class L stockholders for an aggregate amount of $20.6 million, plus interest accrued of $1.9 million. (See Note 6 for additional information.)

Payment of Dividends

On December 15, 1994, the Company paid to Class E stockholders of record dividends of $.65 per share, for an aggregate amount of $.9 million. (See Note 20 for additional information.)

Declaration of Dividends

In February 1995, the Board of Directors declared a dividend of $.75 per share (for an aggregate amount of approximately $39.5 million), payable on March 15, 1995 to Class E and Class L stockholders of record on March 1, 1995.

Sale of Class E Common Stock to Employee Investment Plans

During January 1995, the Company's employee investment plans, collectively, purchased 35,471 shares of Class E common stock from the Company and the Company contributed 32,383 matching shares before taxes to these plans. (See Note 12 for additional information.)

Partners in Performance

In early 1995, the Company implemented a new performance and pay program, Partners in Performance. This program replaces the current cash performance sharing plan and management incentive plan in 1995 and will replace the long-term performance plan in 1996. The added cost of this plan is estimated to be an additional expense of approximately $5.0 million in 1995. (See Partners in Performance caption under Item 11 for additional information.)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Levi Strauss Associates Inc.:

We have audited the accompanying consolidated balance sheets of Levi Strauss Associates Inc. (a Delaware corporation) and Subsidiaries as of November 27, 1994 and November 28, 1993, and the related consolidated statements of income, stockholders' equity and cash flows for the years ended November 27, 1994, November 28, 1993 and November 29, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Levi Strauss Associates Inc. and Subsidiaries as of November 27, 1994 and November 28, 1993, and the results of their operations and their cash flows for each of the three years in the period ended November 27, 1994, in conformity with generally accepted accounting principles.

As explained in Notes 3 and 11 to the Consolidated Financial Statements, effective November 29, 1993, the Company changed its method of accounting for income taxes and postretirement benefit plans.

ARTHUR ANDERSEN LLP

San Francisco, California,
January 19, 1995

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The table below identifies the current directors and executive officers of the Company, along with their offices, positions and ages.

<TABLE>
<CAPTION>

NAME	AGE	OFFICE AND POSITION
<S>	<C>	<C>
Walter A. Haas, Jr./(1)//(2)/.....	79	Director, Honorary Chairman of the Board of Directors
Peter E. Haas, Sr./(1)//(2)/.....	76	Director, Chairman of the Executive Committee of the Board of Directors
Robert D. Haas/(1)//(2)/.....	52	Director, Chairman of the Board of Directors and Chief Executive Officer
Thomas W. Tusher/(2)/.....	53	Director, President and Chief Operating Officer
Angela Glover Blackwell/(2)//(3)/...	49	Director (Effective February 9, 1994)
Tully M. Friedman/(2)//(3)/.....	53	Director
James C. Gaither/(2)//(4)/.....	57	Director
Rhoda H. Goldman/(1)//(2)//(4)/.....	70	Director

Peter E. Haas, Jr./(1)//(2)//(3)/...	47	Director
F. Warren Hellman/(3)//(4)/.....	60	Director
James M. Koshland/(2)//(4)/.....	43	Director
Patricia Salas Pineda/(3)//(4)/.....	43	Director
Thomas J. Bauch.....	51	Senior Vice President, General Counsel and Secretary
R. William Eaton, Jr.....	51	Senior Vice President, Chief Information Officer
Donna J. Goya.....	47	Senior Vice President, Human Resources
Peter A. Jacobi.....	51	Senior Vice President, President of Levi Strauss International
George B. James.....	57	Senior Vice President, Chief Financial Officer
Robert D. Rockey, Jr.....	53	Senior Vice President, President of Levi Strauss North America

</TABLE>
- --------------------------
/(1)/ Robert D. Haas is the son of Walter A. Haas, Jr.; Walter A. Haas, Jr. is the brother of Peter E. Haas, Sr. and Rhoda H. Goldman, and the uncle of Peter E. Haas, Jr.
/(2)/ Member, Corporate Ethics and Social Responsibility Committee
/(3)/ Member, Audit Committee
/(4)/ Member, Personnel Committee
Note: John F. Kilmartin retired December 5, 1993 and was replaced by Angela Glover Blackwell.

Directors are divided into three classes of equal number. All directors are and will be elected by holders of a majority of the outstanding shares of the Company entitled to vote in the election of directors. Stockholders vote separately for the election of directors in each class. The first class of directors consists of Mr. R. D. Haas, Mrs. Goldman, Ms. Blackwell and Mr. Friedman and the term of office expires at the 1996 annual meeting. The second class consists of Mr. P.E. Haas, Jr., Mr. W. A. Haas, Jr., Mr. Hellman and Ms. Pineda and the term of office expires at the 1997 annual meeting. The third class consists of Mr. Tusher, Mr. P. E. Haas,

Sr., Mr. Gaither and Mr. Koshland and the term of office expires at the 1995 annual meeting of stockholders.

Directors who are elected at an annual meeting of stockholders to succeed those whose terms then expire will be identified as being directors of the same class as those they succeed. Staggered board provisions result in the election of only one-third of the Board at each annual meeting. This arrangement limits the ability of a person holding enough stock to control the election process from effecting a rapid change in board composition and therefore may have the effect of delaying, deferring or preventing a change in control of the Company. Executive officers serve at the discretion of the Board of Directors.

All members of the Haas family and Mrs. Goldman are direct descendants of the founder of LS&CO., Levi Strauss.

Walter A. Haas, Jr. became Honorary Chairman of the Board of LS&CO. and the Company in 1985. He joined LS&CO. in 1939 and held the positions of President from 1958 to 1970 and Chief Executive Officer from 1958 to 1976. He served as Chairman of the Board from 1970 to 1981 and Chairman of the Executive Committee from 1976 until 1985.

Mr. W.A. Haas, Jr. is a trustee of the Business Enterprise Trust. He was formerly a director of UAL, Inc., United Airlines, Inc., BankAmerica Corporation and Bank of America, NT & SA. He was appointed to the National Commission on Public Service, is a former member of the Citizens Commission on Private Philanthropy and Public Need, a former member of the Trilateral Commission, a former trustee of the Ford Foundation and has served on the Presidential Advisory Council for Minority Enterprise. Mr. Haas is also owner and Managing General Partner of the Oakland Athletics.

Peter E. Haas, Sr. assumed his present position as Chairman of the Executive Committee of the Board of Directors in March 1989 after serving as Chairman of the Board of LS&CO. since 1981, and of the Company since 1985. He joined LS&CO. in 1945 and became President in 1970 and Chief Executive Officer in 1976. He has served on the Board of LS&CO. since 1948 and has been a director of the Company since its inception in 1985.

Mr. P.E. Haas, Sr. is a former Associate of the Smithsonian National Board and a trustee and former Chairman of the Board of Trustees of the San Francisco Foundation. He is a former director of the Northern California Grantmakers, Crocker National Corporation and Crocker National Bank, and American Telephone and Telegraph Co. He is a former President of the United Way of the Bay Area, the Jewish Community Federation, Aid to Retarded Citizens and the Rosenberg Foundation and a former member of the Board of Governors of the United Way of America.

Robert D. Haas assumed his present position as Chairman of the Board of Directors of the Company and LS&CO. in March 1989. Since 1984, he has served as Chief Executive Officer of the Company and LS&CO., and was President of the Company from its inception in 1985 to March 1989. Since he joined LS&CO. in

1973, Mr. Haas served in a number of positions, including Marketing Director and Group Vice President of LSI, Director of Corporate Marketing Development, Senior Vice President of Corporate Planning and Policy and President of the New

Business Group. He became President of the Operating Groups in 1980 and was named Executive Vice President and Chief Operating Officer in 1981. He was elected to the LS&CO. Board of Directors in 1980 and has been a director of the Company since its inception in 1985.

Mr. R.D. Haas is an active participant in business and community organizations and is currently Chairman of the Board of Directors of the Levi Strauss Foundation, a trustee of the Ford Foundation, an honorary trustee of the Brookings Institution and an honorary director of the San Francisco AIDS Foundation. He is also a member of the Conference Board, the Council on Foreign Relations, the Trilateral Commission, the Bay Area Council, the California Business Roundtable and a former Director of the American Apparel Association.

Thomas W. Tusher, President and Chief Operating Officer, joined LS&CO. in 1969, was elected Executive Vice President and Chief Operating Officer in 1984 and became President and a director of the Company in March 1989. He previously served as President of the Europe Division, Executive Vice President of the International Group and was appointed President of LSI in 1980. He was elected a Vice President of LS&CO. in 1976 and a Senior Vice President in 1977 and was a director of LS&CO. from 1979 until 1985.

Mr. Tusher is a director of Cakebread Cellars and a former director of Great Western Financial Corporation and the San Francisco Chamber of Commerce. He is a member and former Chairman of the Walter A. Haas School of Business Advisory Board, University of California Berkeley and a member of the Bay Area Sports Hall of Fame Committee.

Angela Glover Blackwell, elected to the Board in February 1994, is the founder and former President of Urban Strategies Council, established in 1987. As of January 23, 1995, she assumed the vice-presidency of the Rockefeller Foundation in New York. Previously, she served as staff attorney and managing attorney for Public Advocates, Inc. and served on the board for Common Cause. Ms. Blackwell currently serves on the boards of the James Irvine Foundation, Children Now, the Center on Budget and Policy Priorities, the Foundation for Child Development and the Urban Institute. She also co-chairs the Commission for Positive Change in the Oakland Public Schools.

Tully M. Friedman, a director since 1985, has been a managing partner of the private investment firm of Hellman & Friedman since its inception in 1984. From 1979 until 1984, he was a general partner and, later, managing director of Salomon Brothers Inc. Currently, he is a director of Mattel, Inc., McKesson Corporation, Western Wireless Corporation, American President Companies, Ltd. and MobileMedia Corporation. He is a member of the Advisory Committee of Falcon Cable TV, a trustee and member of the Executive Committee of the American Enterprise Institute and a director of Stanford Management Company. He is a former President of the San Francisco Opera Association and a former Chairman of Mount Zion Hospital and Medical Center.

James C. Gaither, a director since April 1988, is a partner of the law firm of Cooley, Godward, Castro, Huddleson & Tatum, San Francisco, California. Prior to beginning his law practice with the firm in 1969, he served as law clerk to the Honorable Earl Warren, Chief Justice of the United States, Special Assistant to the Assistant Attorney General in the U.S. Department of Justice and Staff Assistant to the President of the United States, Lyndon B.

Johnson. Mr. Gaither is the former President of the Board of Trustees at Stanford University and is a member of the Board of Trustees of the Carnegie Endowment for International Peace and for The RAND Corporation. He was formerly Chairman of the Board of Trustees for the Center for Biotechnology Research and has served as Chairman of the Board of many educational and philanthropic organizations in the San Francisco Bay Area. Mr. Gaither is currently a director of Basic American Inc., the James Irvine Foundation and has served as a director of several other public and private companies.

Rhoda H. Goldman, a director since 1985, devotes substantial time to public service. She is a director of Mount Zion Health Systems and a former trustee of Mount Zion Medical Center of the University of California, San Francisco, Vice President of the Board of Governors of the San Francisco Symphony, a member of Foster McGaw Prize Committee, the Goldman Environmental Foundation, the Walter A. Haas School of Business Advisory Board, University of California Berkeley, the ARCS Foundation and the Levi Strauss Foundation. She is past President of Congregation Emanu-El, San Francisco. Additionally, she is Chairperson of the Stern Grove Festival Association and has served as Chairperson of the Distribution Committee of the San Francisco Foundation and the Mayor's Holocaust Memorial Committee.

Peter E. Haas, Jr., a director since 1985, joined LS&CO. in 1972 as Director of

the Minority Purchasing Program. He later transferred to LSI, where he held the positions of Manager of Financial Analysis, Inventory Planning Manager and General Merchandising Manager. He became a Vice President and General Manager in the Menswear Division in 1980, Director of Materials Management for Levi Strauss USA in 1982 and was Director of Product Integrity of The Jeans Company from 1984 to February 1989. Mr. P.E. Haas, Jr. is a former President of the Board of Trustees of Marin Academy and is President of the Board of Directors of the Red Tab Foundation. Additionally, he is director of the following Boards: Vassar College, Levi Strauss Foundation, Novato Youth Center (former President), North Bay Bancorp and The Stern Grove Festival Foundation.

F. Warren Hellman, a director since 1985, has been a managing partner of the private investment firm of Hellman & Friedman since its inception in 1984. Previously, he was Managing Director of Lehman Brothers Kuhn Loeb, Inc. Mr. Hellman is currently a director of American President Companies, Ltd., Williams-Sonoma, Inc., Franklin Resources, Inc., Il Fornaio America Corporation, DN&E Walter Co., Children Now, Eagle Industries, Inc., Great America Management & Investment, Inc., The California Higher Education Policy Center and University of California San Francisco (UCSF) Foundation. He is a trustee of the Brookings Institution, a member of the University of California Berkeley Foundation and Honorary Lifetime Trustee of Mills College.

James M. Koshland, a director since 1985, is a partner of the law firm of Gray, Cary, Ware & Freidenrich, a Professional Corporation, Palo Alto, California, with which he has been associated since 1978. Mr. Koshland is Chairman of the Corporate and Securities Group and a member of the Executive Board of the firm. He is a director of the Giarretto Institute, the Foundation for the Future of Menlo-Atherton High School, the Senior Coordinating Council of the Palo Alto area, and the Executive Committee of the Board of Visitors of Stanford Law School.

Patricia Salas Pineda, a director since 1991, is General Counsel and Assistant Corporate Secretary of New United Motor Manufacturing, Inc., with which she has been associated since 1984. She is currently a trustee of Mills College and The RAND Corporation. She was formerly a member and served as President of the Port of Oakland Commission and was a former member of the KQED, Inc. Board of Directors and the San Francisco Ballet Association.

Thomas J. Bauch, Senior Vice President, General Counsel and Secretary, joined LS&CO. in 1977. He was named General Counsel in 1981, elected a Vice President of LS&CO. in 1982 and assumed his current position as Senior Vice President in 1985. Mr. Bauch has served on the Board of Governors of the Commonwealth Club and the Board of Visitors of the University of Wisconsin Law School. He has served on the Board of Directors of the Urban School of San Francisco, the American Corporate Counsel Association, the Medical Research Institute and as a legal advisor to the City of Belvedere and the Multicultural Alliance. He was Chairman of the Bay Area General Counsel Association in 1984.

R. William Eaton, Jr., Senior Vice President and Chief Information Officer, joined LS&CO. in 1978 as Manager of Information Systems. He became Vice President for Information Resources of LSI in 1983, was elected a Vice President of LS&CO. in 1986, was named Chief Information Officer in 1988 and assumed his current position of Senior Vice President in February 1989. Mr. Eaton is a former member of the Commonwealth Club and the King's Mountain Community Association.

Donna J. Goya, Senior Vice President, Human Resources, joined LS&CO. in 1970 and became the Director of Equal Employment Opportunity and Personnel Policy in 1980. She became Director of Employee Relations and Policy in 1983 and Vice President of Corporate Personnel in 1984. She was elected a Senior Vice President in 1986. Ms. Goya is a director of INROADS and is a member of the Human Resources Roundtable and the National Academy of Human Resources.

Peter A. Jacobi, President of Levi Strauss International, joined the Company in 1970 and was named President of the Youthwear Division in 1981. In 1984, he became Executive Vice President of the Jeans Company and was subsequently named President of the Men's Jeans Division. Mr. Jacobi became President of the European Division of LSI in 1988. In 1991, he assumed the position of President of Global Sourcing and was elected Senior Vice President. In 1993, he assumed his current position. Mr. Jacobi is past President of the South-West Apparel and Textile Manufacturers Association and also served on the Board of Directors for the Men's Fashion Association. He is a member of the Board of Directors of the Textile/Clothing Technology Corporation, Advisory Board to the University of Michigan School of Engineering and the U.C. Berkeley/St. Petersburg (Russia) School of Management Project.

George B. James, Senior Vice President and Chief Financial Officer, joined the Company and LS&CO. in 1985. From 1984 to 1985, he was Executive Vice President and Group President of Crown Zellerbach Corporation and from 1982 to 1984, he held the position of Executive Vice President and Chief Financial Officer of Crown Zellerbach Corporation. From 1972 to 1982, he was Senior Vice President and Chief Financial Officer of Arcata Corporation. Mr. James is a director of Basic Vegetable Products, Inc., Fiberboard Corp., the San Francisco Chamber of

Commerce, the World Affairs Council, California Pacific Medical Center Foundation and the

Committee for Economic Development. In addition, he is a trustee of the San Francisco Ballet Association and serves as trustee for the Stern Grove Festival Association and the Zellerbach Family Fund.

Robert D. Rockey, Jr., President of Levi Strauss North America, joined LS&CO. in 1979 and became President of the Womenswear Division in 1983. In 1984, he was named President of the Europe Division of LSI and, in 1988, he was appointed President of the Men's Jeans Division. During 1991, Mr. Rockey became President of U.S. Marketing Divisions and later was elected Senior Vice President. In 1992, he assumed the position of President of Levi Strauss North America. Mr. Rockey is a director and former President of the South-West Apparel and Textile Manufacturers Association.

Insider Report Filings

The Company's executive officers and directors are not obligated, under Section 16(a) of the Securities Exchange Act of 1934, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission.

ITEM 11. DIRECTOR AND EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS

Directors of the Company who are also stockholders or employees of the Company do not receive any additional compensation for their services as director. Directors who are not stockholders or employees [Messrs. Kilmartin (before his retirement effective December 5, 1993) and Gaither and Mss. Blackwell and Pineda] receive approximately $36,000 in annual compensation during each of their first five years of service and, beginning in their sixth year of service, are expected to receive annual compensation of approximately $42,000. Such payments include an annual cash retainer of $30,000 for each of the first three years, $20,000 for the fourth year, $10,000 for the fifth year, and $6,000 thereafter. The payments also include fees of $500 per Board and Board committee meeting attended and award payments under the Company's Long-Term Performance Plan ("LTPP"). The amount of each type of payment varies depending on the year of service and the actual value of the LTPP units. Mr. Gaither and Mss. Blackwell and Pineda each received grants of 350 performance units under the LTPP in 1994. In 1994, Messrs. Gaither and Kilmartin and Ms. Pineda received payments under the LTPP of $99,894, $97,448 and $31,633, respectively. Directors who are not employees or stockholders also receive travel accident insurance while on Company business and are eligible to participate in a deferred compensation plan. (See LTPP and deferred compensation plan captions.)

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

F. Warren Hellman and Tully M. Friedman, directors of the Company, are general partners of Hellman & Friedman, an investment banking firm. Hellman & Friedman provides financial advisory services to the Company and received $300,407 for such services in 1994. At November 27, 1994 Messrs. Hellman and Friedman and their families and other partners of Hellman & Friedman beneficially owned an aggregate of 1,081,442 shares of Class L common stock. See Item 12, Security Ownership of Certain Beneficial Owners and Management, for additional information concerning Mr. Hellman's and Mr. Friedman's beneficial ownership of Class L common stock.

SUMMARY COMPENSATION TABLE FOR EXECUTIVE OFFICERS

The following table sets forth summary compensation information for 1994, 1993 and 1992 for each of the five most highly compensated executive officers of the Company:

<TABLE>
<CAPTION>

					Long Term Compensation		
		Annual Compensation			Awards	Payouts	
Name and Principal Position	Year/(1)/	Salary	Bonus/(2)/	Other Annual Compensation/(3)/	Securities Underlying SARs (#)/(4)/	LTIP Payouts/(5)/	All Other Compensation /(6)/
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Robert D. Haas	1994	$1,044,184	$1,374,058	$ --	--	$1,356,521	$990,861
Chairman of the Board and	1993	998,460	1,162,795	--	--	506,667	871,060
Chief Executive Officer	1992	938,278	1,082,711	1,866,375	--	--	625,014
Thomas W. Tusher	1994	709,852	785,953	--	--	1,196,220	465,924
President, Chief Operating	1993	680,056	677,063	--	--	944,985	624,510
Officer	1992	647,093	642,003	--	--	626,970	480,384
George B. James	1994	387,260	356,039	--	--	556,482	188,199
Senior Vice President,	1993	369,292	313,231	--	--	481,539	160,633
Chief Financial Officer	1992	352,463	287,650	965,538	--	355,935	107,172
Robert D. Rockey, Jr.	1994	406,419	447,043	--	--	521,830	240,240
Senior Vice President,	1993	354,959	317,724	--	--	432,805	179,570
President of Levi Strauss	1992	314,149	297,493	156,539	25,000	368,571	135,028
North America							
Peter A. Jacobi	1994	336,156	376,656	--	--	543,386	234,186
Senior Vice President,	1993	311,692	281,413	--	--	453,071	163,712
President of Levi Strauss	1992	296,593	251,797	179,883	25,000	368,571	138,755
International							

</TABLE>

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/(1)/ Fiscal 1994 and 1993 each contained 52 weeks. Fiscal year 1992 contained 53 weeks.

/(2)/ Bonuses are paid pursuant to the Company's Management Incentive Plan ("MIP") and Cash Performance Sharing Plan. The bonuses include amounts based upon 1994, 1993 and 1992 performance that will be or were paid in 1995, 1994 and 1993, respectively (see Management Incentive Plan and Home Office Cash Performance Sharing Plan captions). Amounts paid to Mr. Haas relating to MIP bonuses were $1,197,500, $1,010,000 and $935,000 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. Haas relating to Cash Performance Sharing bonuses were $176,558, $152,795 and $147,711 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. Tusher relating to MIP bonuses were $675,000, $580,000 and $545,000 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. Tusher relating to Cash Performance Sharing bonuses were $110,953, $97,063 and $97,003 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. James relating to MIP bonuses were $300,000, $265,000 and $240,000 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. James relating to Cash Performance Sharing bonuses were $56,039, $48,231 and $47,650 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. Rockey, Jr. relating to MIP bonuses were $389,112, $271,188 and $254,651 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. Rockey, Jr. relating to Cash Performance Sharing bonuses were $57,931, $46,536 and $42,842 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. Jacobi relating to MIP bonuses were $327,250, $240,043 and $211,449 for 1994, 1993 and 1992, respectively. Amounts paid to Mr. Jacobi relating to Cash Performance Sharing bonuses were $49,406, $41,370 and $40,348 for 1994, 1993 and 1992, respectively.

/(3)/ Other annual compensation represents partial tax reimbursement cash bonuses related to certain stock option exercises under the 1985 Stock Option Plan (see 1985 Stock Option Plan caption).

/(4)/ See detail table under 1992 Stock Appreciation Rights Plan section.

/(5)/ Amounts are paid pursuant to the Company's Long-Term Performance Plan ("LTPP"). The LTPP amounts shown in the table include amounts based on LTPP units granted in 1989, 1990 and 1991 that were paid in 1992, 1993 and 1994 or deferred to later years (see LTPP caption).

/(6)/ All other compensation consists of amounts contributed under the Company's Employee Stock Purchase and Award Plan (ESAP) and amounts contributed under the Company's benefit restoration plans (BRP). The Internal Revenue Code (the "Code") limits the amount of benefits that may be paid under plans qualified by the Code. The BRP will pay any benefits that exceed such limitations. (See Benefits Plan section for more information about both plans.) Amounts contributed to Mr. Haas relating to ESAP were $165,295, $155,958 and $148,646 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. Haas relating to BRP were $825,566, $715,102 and $476,368 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. Tusher relating to ESAP were $103,808, $99,054 and $108,868 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. Tusher relating to BRP were $362,116, $525,456 and $371,516 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. James relating to ESAP were $52,403, $49,140 and $54,876 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. James relating to BRP were $135,796, $111,493 and $52,296 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. Rockey, Jr. relating to ESAP were $54,214, $47,424 and $47,420 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. Rockey, Jr. relating to BRP were $186,026, $132,146 and $87,608 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. Jacobi relating to ESAP were $46,270, $42,072 and $34,746 for 1994, 1993 and 1992, respectively. Amounts contributed to Mr. Jacobi relating to BRP were $187,916, $121,640 and $104,009 for 1994, 1993 and 1992, respectively.

STOCK OPTION AND STOCK APPRECIATION RIGHTS PLANS

1985 Stock Option Plan

In 1985, the Board of Directors of the Company adopted the 1985 Stock Option Plan (the "1985 Plan"). The 1985 Plan is administered by the Personnel Committee of the Board of Directors (the "Administrator"). A total of 5,000,000 shares of Class L common stock may be issued upon exercise of options under the 1985 Plan to eligible employees or non-employee directors of the Company selected by the Board. Options granted under the 1985 Plan are non-qualified stock options and expire ten years from the date of grant. The Board or the Administrator determines the exercise price, exercise schedule, the manner in which payment occurs and any provision for a cash bonus to be paid at or about the time of exercise of the option. In addition the administrator retains discretion, subject to plan limits, to modify the terms (e.g., acceleration or elimination of vesting requirements of outstanding options). There were no option grants during 1994 or 1993.

During 1994, the Board of Directors and stockholders approved a stock liquidity program for management holders of Class L common stock (including outstanding stock options). (See Management Liquidity Program caption under Item 13., Certain Relationships and Related Transactions.)

In 1992, the Board of Directors approved a special payment arrangement under the Plan to facilitate the exercise by optionholders of their outstanding options. This arrangement accelerated vesting on all non-vested options and allowed each optionholder to exercise outstanding options by surrendering a portion of these outstanding options in full payment of the exercise price and related tax obligations. Holders of 65 percent of all outstanding options participated in this arrangement. The special arrangement required the recognition of a fiscal 1992 pre-tax stock option charge of $158.0 million for all outstanding options (the amount equal to the difference between the fair market value of the underlying shares at the exercise date and at the grant date). Separately, the Company also recognized compensation expense for related exercise bonuses and the accelerated use of presently non-vested options. The Company disbursed $41.9 million to pay related withholding taxes for optionholders (in exchange for an equal amount of surrendered options) and $4.4 million for related exercise bonuses. The optionholders participating in this arrangement exercised 925,123 options resulting in 532,368 reissued treasury shares of Class L common stock. The Company also retired 392,755 shares of treasury stock, which was equal to the number of options surrendered. The net change in Stockholders' Equity (including the after-tax effect of the stock option charge) was

an increase of $9.2 million. See Note 16 to the Consolidated Financial Statements for additional stock option plan information.

1992 Stock Appreciation Rights Plan

In 1992, the Board of Directors of the Company adopted the 1992 Executive Stock Appreciation Rights Plan of Levi Strauss Associates Inc. The purpose of the 1992 Executive Stock Appreciation Rights Plan is to attract, retain, motivate and reward certain executives by giving them an opportunity to participate in the future success of the Company. The "stock appreciation rights" (SARs), are tied to and based on changes in the value of the Company's Class E common stock (Class E common stock is appraised, usually twice a year, by an independent investment banking firm). Upon exercise, the holder is entitled to receive a cash payment from the Company equal to the difference in the fair market value of stock on grant date and exercise date, less related tax withholding. A total of 500,000 rights may be granted under this plan. SARs awarded under the Company's plan may not be transferred.

The plan is administered by a committee of at least two members of the Board of Directors of the Company who are disinterested persons. The administrative committee for SARs determines the initial values of the SARs, the exercise schedule and any other terms or conditions applicable to the SARs that may be appropriate. In addition, the administrative committee retains discretion, subject to plan limits, to modify the terms (e.g., acceleration or elimination of vesting requirements) of SARs.

A total of 90,000 SARs were granted in 1994 to certain executives at an initial grant value of $129 per SAR. The 1994 grant of SARs vest and become exercisable over several years commencing in 1997. Twenty percent of these SARs will be exercisable in 1997, an additional 30 percent in 1998 and the remaining 50 percent in 1999. In addition, stock based awards, based on a valuation of $129 per share, were granted to Robert D. Rockey, Jr. and Peter A. Jacobi. These executives were given the choice to receive 40,000 SARs each or participate in a Class L stock purchase arrangement in which the Company would loan each of these two executives approximately $4.9 million to purchase Class L stock. These executives have until the end of April 1995 to make their decision.

Also during 1994, 17,000 SARs granted during 1992 were forfeited. There were no SAR grants during 1993.

A total of 114,000 SARs were granted in 1992 at an initial grant value of $84 per SAR. The 1992 grant of SARs vest and become exercisable over several years commencing in 1995. One-third of these SARs will be exercisable in 1995, one-third in 1996 and the remaining third in 1997.

The following table presents information for the year ended November 27, 1994 regarding aggregated options/SARs of executive officers of the Company listed in the Summary Compensation Table.

<TABLE>
<CAPTION>

Aggregated Option Exercises in Last Fiscal Year and Year-End Option/SAR Values

Name and Principal Position	Number of Shares Acquired on Exercise	Dollar Value Realized	Number of Securities Underlying Unexercised Options/SARs at Year-End Exercisable/ Unexercisable	Dollar Value of Unexercised In-The-Money Options/SARs at Year-End Exercisable/ Unexercisable
<S>	<C>	<C>	<C>	<C>
Robert D. Haas Chairman of the Board and Chief Executive Officer	--	--	--	--
Thomas W. Tusher President, Chief Operating Officer	--	--	499,749/--	$65,217,245/--
George B. James Senior Vice President, Chief Financial Officer	--	--	--	--
Robert D. Rockey, Jr. Senior Vice President, President of Levi Strauss North America	--	--	--/25,000	--/$1,250,000
Peter A. Jacobi Senior Vice President, President of Levi Strauss International	--	--	--/25,000	--/$1,250,000

</TABLE>

LONG-TERM PERFORMANCE PLAN

The Company has a Long-Term Performance Plan ("LTPP") for outside directors, officers and other key employees, under which performance units are granted to each participant. The value assigned to each unit is determined at the discretion of the Personnel Committee of the Board of Directors. The performance unit value guidelines selected by the Personnel Committee with respect to existing grants are based on the Company's three-year cumulative net earnings before tax. Under such guidelines (which are subject to change by the Personnel Committee), the current forecast value of the units granted in 1994, 1993 and 1992 is $100, $220 and $220 per unit, respectively. The units vest and are paid in cash in one-third increments on the third, fourth and fifth anniversaries of the date of grant or the amounts can be deferred at the election of the participant. The Company will implement a new performance management and pay program replacing this program in 1996. (See Partners in Performance caption for additional information.)

The following table sets forth information relating to Long-Term Performance Plan units granted in 1994 for the executive officers of the Company listed in the Summary Compensation Table:

<TABLE>
<CAPTION>

Long-Term Performance Plan - Awards in Last Fiscal Year

	Estimated Future Payments Under Non-Stock Price-Based Plans

Name and Principal Position	Number of Units Granted/(1)/	Performance or Other Period Until Maturation or Payout/(2)/	/(3)//(4)/ Dollar Threshold	/(3)//(4)/ Dollar Target
<S>	<C>	<C>	<C>	<C>
Robert D. Haas Chairman of the Board and Chief Executive Officer	14,000	3-5 years	$0	$1,400,000
Thomas W. Tusher President, Chief Operating Officer	8,000	3-5 years	0	800,000
George B. James Senior Vice President, Chief Financial Officer	2,200	3-5 years	0	220,000
Robert D. Rockey, Jr. Senior Vice President, President of Levi Strauss North America	3,000	3-5 years	0	300,000
Peter A. Jacobi Senior Vice President, President of Levi Strauss International	3,000	3-5 years	0	300,000

</TABLE>

_____

/(1)/ The basis for measuring long-term performance is a corporate three-year cumulative earnings performance calculation (e.g., an internal calculation of earnings from operations).

/(2)/ The units vest in three years and are paid out in cash in one-third increments payable in June 1997, June 1998 and June 1999.

/(3)/ Each LTPP unit is valued at $100.00 if the Company achieves a target level of corporate earnings performance over a three-year period. Performance above target levels will produce increases in award values. There is no cap on the award value; however, the award formula is directly related to the Company's earnings performance.

/(4)/ Under the terms of the LTPP, the Personnel Committee retains discretion, subject to plan limits, to modify the terms of outstanding awards to take into account the effect of unforeseen or extraordinary events and accounting changes.

MANAGEMENT INCENTIVE PLAN

The Company's Management Incentive Plan ("MIP") provides selected employees with incentive compensation and provides a tool for recruiting and retaining selected employees. Under the MIP, the Personnel Committee of the Board of Directors, as administrator of the MIP, may

award discretionary cash payments to selected employees. Such awards are made on the basis of various factors, including profit levels, return on investment, salary grade and individual performance. In 1995, the Company will implement a new performance management and pay program replacing this program. (See Partners in Performance caption for additional information.)

HOME OFFICE CASH PERFORMANCE SHARING PLAN

The Company has a Cash Performance Sharing Plan for all Home Office payroll employees that pays out based on a percentage of base salary and certain Company earnings criteria. This cash plan was a transition program for 1991 and 1992 and was extended to 1994. Participants in the MIP can receive up to 8 percent, while other Home Office employees can receive up to 12 percent, of their covered compensation (fiscal year salary and non-LTPP bonus) under this plan. In 1995, the Company will implement a new performance management and pay program replacing this program for salaried employees. (See Partners in Performance caption for additional information.)

PARTNERS IN PERFORMANCE

In 1995, the Company will implement a new performance and pay program, Partners in Performance, for all salaried employees worldwide. This program was designed to align the objectives of all employees with the strategic objectives of the Company and interests of the Company shareholders.

To accomplish this goal, all eligible employees will have the opportunity to earn incentives, both short and long term. The short-term incentive plan will begin in 1995 and rewards performance measured by business unit and corporate financial results against pre-established targets. The long-term incentives

will begin in 1996 and are based on a performance unit plan measured by a three-year cumulative earnings performance calculation and relative total shareholder return. Partners in Performance will replace the current management incentive plan, long-term incentive plan and cash performance sharing plan.

DEFERRED COMPENSATION PLAN

The Company has an unfunded Deferred Compensation Plan under which a selected group of employees may elect to defer receipt until termination of employment of up to 33 percent of their base salary and 100 percent of their bonus. The amounts deferred under this plan, plus interest, may be paid prior to termination in certain hardship circumstances specified in the plan. When electing to defer a bonus, eligible employees in certain salary grades may also elect to receive in-service payments of the deferred bonus in five annual installments. Additionally, amounts deferred under this plan are considered compensation covered for defined benefit pension purposes (see Home Office Pension Plan caption). The Company also maintains a similar deferred compensation plan for outside directors.

BENEFIT PLANS

Home Office Pension Plan

Generally, all Home Office payroll employees, including executive officers, participate in the Company's Home Office Pension Plan (the "Pension Plan") after completing one year of service. The Pension Plan, subject to Internal Revenue Service (IRS) limitations, provides pension benefits based on an individual's years of service and final average covered compensation

(generally, base salary plus bonuses awarded for the five consecutive fiscal years out of the individual's last ten years of service that produces the highest average). Contributions by the Company to the Pension Plan cannot be separately calculated for individual executive officers.

The following table shows the estimated annual benefits payable upon retirement under the Pension Plan, the benefit restoration plans and Deferred Compensation Plan to persons in various compensation and years-of-service classifications prior to mandatory offset of Social Security benefits:

<TABLE>
<CAPTION>

Pension Plan Table

Remuneration	Years of Service				
	15	20	25	30	35
<S>	<C>	<C>	<C>	<C>	<C>
$ 525,000	$157,500	$210,000	$ 262,500	$ 269,063	$ 275,625
600,000	180,000	240,000	300,000	307,500	315,000
675,000	202,500	270,000	337,500	345,938	354,375
750,000	225,000	300,000	375,000	384,375	393,750
825,000	247,500	330,000	412,500	422,813	433,125
900,000	270,000	360,000	450,000	461,250	472,500
975,000	292,500	390,000	487,500	499,688	511,875
1,050,000	315,000	420,000	525,000	538,125	551,250
1,125,000	337,500	450,000	562,500	576,563	590,625
1,200,000	360,000	480,000	600,000	615,000	630,000
1,275,000	382,500	510,000	637,500	653,438	669,375
1,350,000	405,000	540,000	675,000	691,875	708,750
1,425,000	427,500	570,000	712,500	730,313	748,125
1,500,000	450,000	600,000	750,000	768,750	787,500
1,575,000	472,500	630,000	787,500	807,188	826,875
1,650,000	495,000	660,000	825,000	845,625	866,250
1,725,000	517,500	690,000	862,500	884,063	905,625
1,800,000	540,000	720,000	900,000	922,500	945,000
1,875,000	562,500	750,000	937,500	960,938	984,375
1,950,000	585,000	780,000	975,000	999,375	1,023,750
2,025,000	607,500	810,000	1,012,500	1,037,813	1,063,125
2,100,000	630,000	840,000	1,050,000	1,076,250	1,102,500
2,175,000	652,500	870,000	1,087,500	1,114,688	1,141,875
2,250,000	675,000	900,000	1,125,000	1,153,125	1,181,250

</TABLE>

The preceding table assumes retirement at the age of 65, with payment to the employee in the form of a single-life annuity. As of year-end 1994, the credited years of service for Messrs. R.D. Haas, Tusher, James, Rockey, Jr. and Jacobi were 21, 25, 9, 15 and 24, respectively. The 1994 compensation covered by the Pension Plan, benefit restoration plans and Deferred Compensation Plan for Messrs. R.D. Haas, Tusher, James, Rockey, Jr. and Jacobi was $2,206,979, $1,386,915, $700,491, $724,143, and $617,569, respectively. The 1994

compensation covered by the Pension Plan consists of fiscal year 1994 cash salary and 1993 bonus paid in 1994 (not including LTPP). These amounts correspond to the amounts on the Summary Compensation table (see Summary Compensation Table caption).

The Code limits the amount of pension benefits that may be paid under plans qualified under the Code such as the Pension Plan. The Company maintains separate unfunded benefit restoration plans (see the Benefit Restoration Plans caption) that will pay any retirement benefits under

the Pension Plan that exceed such limitations. The five individuals named in the Summary Compensation Table are participants in the benefit restoration plans.

The Company has unfunded supplemental pension agreements with Messrs. Tusher and James which provide specific benefits upon retirement. The cost to the Company in 1994 of the agreements for Messrs. Tusher and James was $395,400 and $30,400, respectively.

Benefit Restoration Plans

The Company has two unfunded benefit restoration plans, the Supplemental Benefit Restoration Plan and the Excess Benefit Restoration Plan, collectively called the "BRP", that provide eligible employees with benefits that would have been payable from tax-qualified plans (both defined benefit and defined contribution) of the Company except for limitations imposed on such benefits under the Internal Revenue Code (the "Code"). The BRP also provides for the deferral of an eligible employee's current compensation to the extent that such compensation cannot be contributed to the Company's investment plans, due to these limitations, and the restoration of Company matching contributions that could not be credited under those plans as a result. All employees who are subject to such limitations are eligible to participate in the BRP. The BRP is administered by the Administrative Committee of the Retirement Plans.

Employee Investment Plans

The Company maintains three employee investment plans. Two of these plans, the Employee Investment Plan of Levi Strauss Associates Inc. (EIP) and the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan (ELTIS), are qualified plans that cover Home Office employees and U.S. field employees, respectively. The third plan, the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc. (ESAP) is a non-qualified employee equity program for highly compensated (as defined by the Code) Home Office employees. Effective December 1990, highly compensated employees were no longer eligible to contribute to the EIP due to amendments to the EIP, which were made to comply with certain changes to the Code. The ESAP commenced in 1992 to allow highly compensated employees to participate in equity ownership.

The ESAP is administered by the Personnel Committee of the Board of Directors. The Pension Plan and the EIP are administered by the Administrative Committee of the Retirement Plans of the Company. The Personnel Committee has delegated most of its routine administrative functions to the Administrative Committee and to the Employee Benefits Department. The Administrative Committee is appointed by the Board of Directors and has the general responsibility for the administration and operation of the plans, including compliance with reporting and disclosure requirements, establishing and maintaining plan records and determining and authorizing payments of benefits under the plans.

The qualified plans also established an Investment Committee appointed by the Board of Directors. The Investment Committee's duties and responsibilities include (i) reviewing the performance of the trustee under the plans; (ii) appointing, removing and reviewing the performance of investment managers who may be delegated the authority to manage plan assets; (iii) establishing investment standards and policies based upon the objectives of the plans as communicated by the Administrative Committee; and (iv) performing such other functions as are specifically assigned to the Investment Committee under the plans.

The foregoing descriptions of the Company's benefit plans and agreements are only summaries and are qualified in their entirety by reference to such agreements and plans.

Additional information about certain Company employee plans is contained in Notes 12 through 16 to the Consolidated Financial Statements.

Contracts with Management Holders of Class L Common Stock

The management liquidity program (the "Liquidity Program") was approved by the Board of Directors and stockholders in 1994. The Liquidity Program allows the Company to enter into contracts with management holders of Class L common stock relating to in-service, employment separation-related and post-separation stock

purchases. This program allows participating management stockholders to annually sell a specified amount of their stock to the Company, subject to certain limitations and conditions. The program also entitles the Company to purchase all of the shares held by a management holder at the time of separation from employment. (See Management Liquidity Program caption under Item 13., Certain Relationships and Related Transactions.)

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of January 16, 1995, certain information with regard to the beneficial ownership of Class L common stock and Class E common stock by each person who beneficially owns more than 5 percent of these outstanding shares, each of the directors, each of the five most highly compensated executive officers and all directors and executive officers of the Company as a group. The business address of all persons listed is 1155 Battery Street, San Francisco, California 94111.

<TABLE>
<CAPTION>

Name of Individual or Number of Persons in Group	Number of Shares Owned	Additional Number of Shares in Which Voting Rights or Investment Powers Exist or May Be Deemed to Exist	Total	Percentage of Shares Outstanding/(1)/
<S>	<C>	<C>	<C>	<C>
Robert D. Haas	3,801,060/(2)/	392,070/(3)/	4,193,130	7.97
Thomas W. Tusher	97,147/(4)/	499,749/(5)/	596,896	1.13
Peter E. Haas, Sr.	8,754,426/(6)/	2,961,967/(7)/	11,716,393	22.27
Walter A. Haas, Jr.	3,741,116	600,000/(8)/	4,341,116	8.25
Angela Glover Blackwell	--	--	--	--
Tully M. Friedman	352,100/(9)/	90,000/(10)/	442,100	--
James C. Gaither	--	--	--	--
Rhoda H. Goldman	3,722,697/(11)/	--	3,722,697	7.08
Peter E. Haas, Jr.	4,493,688/(12)/	11,709/(13)/	4,505,397	8.56
F. Warren Hellman	574,742/(14)/	402,000/(15)/	976,742	1.86
James M. Koshland/(16)/	45,000	96,000/(17)/	141,000	--
Patricia Salas Pineda	--	--	--	--
Frances K. Geballe	2,739,760/(18)/	--	2,739,760	5.21
Josephine B. Haas	3,467,424/(19)/	2,225,294/(20)/	5,692,718	10.82
Miriam L. Haas	3,000,200/(21)/	--	3,000,200	5.70
Margaret E. Jones	2,895,710/(22)/	--	2,895,710	5.50
Daniel E. Koshland, Jr.	2,865,744	152/(23)/	2,865,896	5.45
Peter A. Jacobi	23,956/(24)/	--	23,956	--
George B. James	77,803/(25)/	--	77,803	--
Robert D. Rockey, Jr.	18,070	--	18,070	--
Directors and executive officers of the Company as a group (18 persons)/(26)//(27)/	25,816,686	5,053,495	30,870,181	58.67

</TABLE>

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Note: Class E common stock represents 3 percent of all outstanding common stock. Employees of the Company may invest in Class E common stock under the Company's employee investment plans. The Boston Safe Deposit and Trust Company, trustee for the Company's qualified stock investment plans, holds approximately 69 percent of all outstanding Class E common stock. The business address for the Boston Safe Deposit and Trust Company is 1 Cabot Road, Mail Zone WTO4G, Medford, Massachusetts, 02155-5158. See Employee Investment Plan caption under Item 11.

/ (1)/ The percentage of shares outstanding is not shown for those amounting to less than one percent.

/ (2)/ Includes 526,674 shares owned by the spouse and daughter of Mr. Haas and by trusts for the benefit of his daughter. Mr. Haas disclaims beneficial ownership of such shares.

/ (3)/ Mr. Haas, as trustee, has sole voting and investing power with respect to these shares. These shares are held by a trust for the benefit of Mr. Haas' nieces and nephews. Mr. Haas disclaims beneficial ownership of such shares.

/ (4)/ Does not include 158,996 shares held by a trust for the benefit of the sons of Mr. Tusher. Mr. Tusher has neither voting nor investing powers with respect to such shares.

/ (5)/ Represents shares subject to presently exercisable options.

/ (6)/ Does not include 3,000,200 shares owned by Miriam L. Haas, the spouse of Mr. Haas. Mr. Haas disclaims beneficial ownership of such shares.

/ (7)/ Includes 2,903,167 shares in which Mrs. Josephine B. Haas has sole investing power and Mr. Haas has sole voting rights; and 58,800 shares held in trusts for the benefit of his grandnieces and grandnephew in which Mr. Haas has sole voting and investing power. Mr. Haas disclaims beneficial ownership of such shares.

/ (8)/ Represents shares owned by the Evelyn and Walter Haas, Jr. Fund in which Mr. Haas has shared voting and investing powers.

/ (9)/ Does not include 4,600 shares held by a trust for the benefit of Mr. Friedman's stepson. Mr. Friedman does not have voting or investing powers with respect to such shares and disclaims beneficial ownership of such shares.

/(10)/ Represents shares in which Mr. Friedman has sole voting and investing powers. These shares are held by the Friedman Family Partnership for the benefit of Mr. Friedman's daughter and stepson and Cherry Street Partners for the benefit of Mr. Friedman's former spouse. Mr. Friedman disclaims beneficial ownership of such shares.

/(11)/ Includes 1,000,000 shares owned by Mrs. Goldman's spouse. Mrs. Goldman disclaims beneficial ownership of such shares. Does not include 2,891,267 shares held by trusts for the benefit of Mrs. Goldman's children, grandchildren and great-grandchildren. Mrs. Goldman neither has voting nor investing rights with respect to such shares.

/(12)/ Includes 2,371,872 shares held by trusts for the benefit of Mr. Haas' children and 150,000 shares held by Peter E. Haas and Joanne C. Haas Charitable Annuity Lead Trust and 102 shares by the spouse of Mr. Haas. Mr. Haas disclaims beneficial ownership of such shares.

/(13)/ Represents shares held by a trust for the benefit of Michael S. Haas in which Mr. Haas has sole voting and investing powers. Mr. Haas disclaims beneficial ownership of such shares.

/(14)/ Mr. Hellman's shares are held in trusts.

/(15)/ Mr. Hellman has voting and investing powers with respect to these shares which are held by a trust for the benefit of the daughter of Robert D. Haas. Mr. Hellman disclaims beneficial ownership of such shares.

/(16)/ James M. Koshland is the son of Daniel E. Koshland, Jr.

/(17)/ Represents shares held by trusts for the benefit of James M. Koshland's children. Mr. Koshland disclaims beneficial ownership of such shares.

/(18)/ Includes 333,000 shares owned by the spouse of Mrs. Geballe. Mrs. Geballe disclaims beneficial ownership of such shares.

/(19)/ Includes 2,903,167 shares in which Mrs. Haas has sole investing powers and Mr. Peter E. Haas, Sr. has sole voting rights.

/(20)/ Includes 1,447,855 shares in which Mrs. Haas has shared voting and investing powers and 777,439 shares in which Mrs. Haas has sole voting and investing powers. These shares are held by trusts for the benefit of the son and daughter of Mrs. Haas. Mrs. Haas disclaims beneficial ownership of such shares.

/(21)/ Does not include 8,754,426 shares owned by Peter E. Haas, Sr., the spouse of Mrs. Haas. Mrs. Haas disclaims beneficial ownership of such shares.

/(22)/ Margaret E. Jones is the daughter of Peter E. Haas, Sr. and Josephine B. Haas.

/(23)/ Represents shares owned by The Koshland Foundation in which Mr. Koshland has sole voting rights.

/(24)/ Includes 9,300 shares held by trusts for the benefit of Mr. Jacobi's children.

/(25)/ Includes 63,096 shares held by The James Family Trust and 11,600 shares held by The James Family Limited Partnership in which Mr. James shares voting and investing powers.

/(26)/ Includes 499,749 shares subject to presently exercisable options.

/(27)/ As of January 16, 1995, the Company has 203 and 1,204 record owners of Class L and Class E common stock, respectively.

Holders of and Transfer Restrictions on Common Stock.

There is no trading market for outstanding shares of Class E and Class L common stock. The outstanding shares of Class E common stock are currently held by the trustee of the ELTIS and EIP and by certain employees under the ESAP. Class E common stock is subject to certain restrictions on transfer as provided in the various employee plans. See the Employee Investment Plans caption under Item 11 for additional information. Class L common stock is primarily held by members of the families of certain descendants of the Company's founder and certain members of the Company's Board of Directors and management. Under a stockholder agreement that expires in April 2001, transfer of Class L common stock is prohibited except to certain transferees, specified members of the stockholder's family, trusts, charities or other Class L stockholders. Additionally, management Class L stockholders are parties to contracts with the Company providing for in-service, employment separation-related and post-separation stock purchases (see Management Liquidity Program caption under Item 13., Certain Relationships and Related Transactions).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

MANAGEMENT LIQUIDITY PROGRAM

During 1994, the Board of Directors and stockholders approved a stock liquidity program (the "Liquidity Program") for management holders of Class L common stock. The Liquidity Program allowed the Company to enter into contracts with then-existing management holders of Class L common stock relating to in-service, employment separation-related and post-separation stock purchases. Holders of 1,047,280 shares of Class L common stock (including outstanding options) participate in this program. They may annually sell a specified amount of their stock to the Company, subject to certain limitations and conditions. The program also entitles the Company to purchase all of the shares held by a management holder at the time of separation from employment.

Participating shares were classified on the balance sheet "outside" of stockholders' equity due to the liquidity feature. As a result of this Liquidity Program, the Company incurred a pre-tax compensation expense for participating stock options and related exercise bonus of $6.0 million and $13.2 million, respectively, (based on the current appraised stock value of $134 per share). In addition, the Company reclassified common stock outside of stockholders' equity of approximately $138.6 million and recorded a reduction in stockholders' equity of approximately $132.6 million. Future changes in the stock valuation will result in periodic adjustments to compensation expense for participating stock options, participating share balances and retained earnings. Actual purchases of stock by the Company under the Liquidity Program will result in cash outflows.

The following table presents information as of November 27, 1994 regarding the interests of the five most highly compensated executive officers of the Company in the Management Liquidity Program. The value of the shares listed were calculated using the most recent valuation by Morgan Stanley & Co. Incorporated ($134 per share as of November 18, 1994).

<TABLE>
<CAPTION>

Name and Principal Position	Number of Shares	Value
<S>	<C>	<C>
Robert D. Haas Chairman of the Board and Chief Executive Officer	--	--
Thomas W. Tusher President, Chief Operating Officer	749,749/(1)/	$100,466,366
George B. James Senior Vice President, Chief Financial Officer	84,129	11,273,286
Robert D. Rockey, Jr. Senior Vice President, President of Levi Strauss North America	15,540	2,082,360
Peter A. Jacobi Senior Vice President, President of Levi Strauss International	18,688	2,504,192

</TABLE>

_____

/(1)/ This amount includes outstanding options held by Mr. Tusher to purchase 499,749 shares. Those shares, if acquired, are subject to the Program.

Subsequent to year-end, the Company repurchased and subsequently retired 70,842 shares of management Class L common stock, pursuant to the Liquidity Program, at the current appraised stock value of $134 per share totaling $9.5 million.

ESTATE TAX REPURCHASE POLICY

The Board of Directors has a policy under which the Company will, subject to certain conditions, offer to repurchase a portion of the shares of Class L common stock held by the estate of a deceased stockholder in order to assist the estate in meeting estate tax liabilities. The purchase price will be based on periodic valuations of Class L common stock conducted by an investment banking or appraisal firm (see Note 19 to the Consolidated Financial Statements). Purchases will be made at a discount price reflecting the non-liquidity of large blocks of stock; the discount will be established by the investment banking or appraisal firm. Estate repurchase transactions will be subject to, among other things, compliance with applicable laws governing stock repurchases, satisfaction of certain financial ratios specified in the resolutions adopting the policy, and compliance with any limitations on stock repurchases contained in the Company's credit agreements.

OTHER TRANSACTIONS

Rhoda H. Goldman is a director of the Company; her son, John Goldman, is the controlling person of Richard N. Goldman and Company (RNG), which acts as an insurance broker for the Company. In 1994, the Company paid RNG approximately $380,625 in fees and commissions for the placement of insurance programs. RNG's insurance programs represent approximately 55 percent of worldwide annual premiums paid by the Company for 1994 property casualty coverage, not including workers' compensation coverage. The Company believes the premiums paid to RNG are competitive. At November 27, 1994, Rhoda H. Goldman had no equity interest in RNG and beneficially owned 3,725,007 shares of the Company's Class L common stock.

James C. Gaither is a partner of the law firm of Cooley, Godward, Castro, Huddleson & Tatum. Cooley, Godward, Castro, Huddleson & Tatum provided legal services to the Company in 1994. James M. Koshland is a partner of the law firm of Gray, Cary, Ware & Freidenrich. Gray, Cary, Ware & Freidenrich provided legal services to the Company in 1994.

See Compensation Committee Interlocks and Insider Participation under Item 11 for additional information.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) FINANCIAL STATEMENTS
Consolidated Statements of Income, Years Ended November 27, 1994, November 28, 1993 and November 29, 1992

Consolidated Balance Sheets, November 27, 1994 and November 28, 1993

Consolidated Statements of Stockholders' Equity, Years Ended November 27, 1994, November 28, 1993 and November 29, 1992

Consolidated Statements of Cash Flows, Years Ended November 27, 1994, November 28, 1993 and November 29, 1992

Notes to Consolidated Financial Statements

Report of Independent Public Accountants

(2) FINANCIAL STATEMENT SCHEDULES
II Reserves

All other schedules have been omitted because they are inapplicable, not required or the information is included in the financial statements or notes thereto.

(3) MANAGEMENT CONTRACTS AND COMPENSATORY ARRANGEMENTS
1985 Stock Option Plan and forms of related agreements, exhibit 10a.

Long Term Performance Plan, exhibit 10b.

Management Incentive Plan, exhibit 10c.

Levi Strauss Associates Inc. Excess Benefit Restoration Plan, exhibit 10d.

Levi Strauss Associates Inc. Supplemental Benefit Restoration Plan, exhibit 10e.

Amendment dated February 9, 1993 to the Levi Strauss Associates Inc. Excess Benefit Restoration Plan and Levi Strauss Associates Inc. Supplemental Benefits Restoration Plan, exhibit 10f.

Levi Strauss Associates Inc. Deferred Compensation Plan for Executives (as amended and restated through August 22, 1994), exhibit 10g.

Amendment and Restatement dated August 22, 1994 to the Levi Strauss Associates Inc. Deferred Compensation Plan for Executives, exhibit 10h.

Revised Home Office Pension Plan of Levi Strauss Associates Inc., exhibit 10j.

Amendment dated November 22, 1994 to the Revised Home Office Pension Plan, exhibit 10k.

Revised Employment Retirement Plan and December 20, 1991 Amendment thereto, exhibit 10l.

Amendment dated January 10, 1995 to the Revised Employee Retirement Plan, exhibit 10m.

Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., exhibit 10p.

Amendments dated August 5, 1992, March 31, 1992 and January 1, 1992 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., exhibit 10q.

Amendment dated February 9, 1993 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., exhibit 10r.

Amendment effective as of March 1, 1993 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., exhibit 10s.

Supplemental Pension Agreement dated April 16, 1985 between Levi Strauss & Co. and Thomas W. Tusher, exhibit 10y.

Supplemental Pension Agreement dated November 12, 1985 between Levi Strauss & Co. and George B. James, exhibit 10z.

Letter Agreement dated August 29, 1985 between the Company and Thomas W. Tusher, exhibit 10aa.

Home Office Cash Performance Sharing Plan of Levi Strauss Associates Inc., exhibit 10cc.

Levi Strauss Associates Inc. 1992 Executive Stock Appreciation Rights Plan, exhibit 10ee.

Form of Stock Purchase Agreement between Levi Strauss Associates Inc. and Individual Management Holder of Class L common stock, exhibit 10jj.

Form of Manager Family Member Stock Purchase Agreement between Levi Strauss Associates Inc. and Thomas W. Tusher, exhibit 10kk.

Form of Manager Family Member Stock Purchase Agreement between Levi Strauss Associates Inc. and George B. James, exhibit 10ll.

Partners in Performance Annual Incentive Plan of Levi Strauss Associates Inc. and Subsidiaries, exhibit 10mm.

Partners in Performance Long-Term Incentive Plan of Levi Strauss Associates Inc. and Subsidiaries, exhibit 10nn.

(4) EXHIBITS

3a Restated Certificate of Incorporation, incorporated by reference from Exhibit 4 of Form 10-Q filed with the Securities and Exchange Commission on April 13, 1993.

3b Amended By-Laws of the Company, incorporated by reference from Exhibit 3b of Form 10-K filed with the Securities and Exchange Commission on February 20, 1992.

4a Form of Series D dividend note, dated as of December 15, 1992, among the Company and note holders, incorporated by reference from Exhibit 4d of Form 10-K filed with the Securities and Exchange Commission on February 25, 1993.

4b Form of Class L Stockholders' Agreement, incorporated by reference from Exhibit (c)(5) of the Company's Issuer Tender Offer Statement on Schedule 13E-4, including all amendments thereto, initially filed with the Securities and Exchange Commission on March 4, 1991.

4c Restated Credit Agreement, dated March 17, 1994, among the Company, Levi Strauss & Co., Bank of America N.T. & S.A. and other financial institutions named therein, incorporated by reference from Exhibit 4 of Form 10-Q filed with the Securities and Exchange Commission on April 11, 1994.

4d Amended and Restated Agreement of Master Trust effective as of May 1, 1989 between Levi Strauss Associates Inc. and Boston Safe Deposit and Trust Company, incorporated by reference from Exhibit 4.6 to the

Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10a 1985 Stock Option Plan and forms of related agreements, incorporated by reference from Exhibit 10.4 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10b Long Term Performance Plan, incorporated by reference from Exhibit 10.7 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10c Management Incentive Plan, incorporated by reference from Exhibit 10.12 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10d Levi Strauss Associates Inc. Excess Benefit Restoration Plan, incorporated by reference from Exhibit 10e of Form 10-K filed with the Securities and Exchange Commission on February 20, 1992.

10e Levi Strauss Associates Inc. Supplemental Benefit Restoration Plan, incorporated by reference from Exhibit 10f of Form 10-K filed with the Securities and Exchange Commission on February 20, 1992.

10f Amendment dated February 9, 1993 to the Levi Strauss Associates Inc. Excess Benefit Restoration Plan and Levi Strauss Associates Inc. Supplemental Benefits Restoration Plan, incorporated by reference from Exhibit 10d of Form 10-Q filed with the Securities and Exchange Commission on July 13, 1993.

10g Levi Strauss Associates Inc. Deferred Compensation Plan for Executives (as amended and restated through August 22, 1994), incorporated by reference from Exhibit 10b of Form 10-Q filed with the Securities and Exchange Commission on October 11, 1994.

10h Amendment and Restatement dated August 22, 1994 to the Levi Strauss Associates Inc. Deferred Compensation Plan for Executives.

10i Deferred Compensation Plan for Outside Directors, incorporated by reference from Exhibit 10.9 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10j Revised Home Office Pension Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10j of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.

10k Amendment dated November 22, 1994 to the Revised Home Office Pension Plan.

10l Revised Employee Retirement Plan, incorporated by reference from Exhibit 10k of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.

10m Amendment dated January 10, 1995 to the Revised Employee Retirement Plan.

10n Levi Strauss Associates Inc. Retirement Plan for Over the Road Truck Drivers and Dispatchers, incorporated by reference from Exhibit 10l of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.

10o Levi Strauss & Co. Supplemental Unemployment Benefit Plan and related amendments, incorporated by reference from Exhibit 10m of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.

10p Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 4.2 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on June 24, 1991 (Reg. No. 33-41332).

10q Amendments dated August 5, 1992, March 31, 1992 and January 1, 1992 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10q of Form 10-K filed with the Securities and Exchange Commission on February 25, 1993.

10r Amendment dated February 9, 1993 to the Employee Stock Purchase and

Stock Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10a of Form 10-Q filed with the Securities and Exchange Commission on July 13, 1993.

10s Amendment effective as of March 1, 1993 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10e of Form 10-Q filed with the Securities and Exchange Commission on July 13, 1993.

10t Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan, incorporated by reference from Exhibit 4.2 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on February 9, 1990 (Reg. No. 33-33415), with amendments incorporated by reference from Exhibit 4.2 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on May 31, 1991 (Reg. No. 33-40947).

10u Amendments dated July 21, 1992 and March 31, 1992 to the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan, incorporated by reference from Exhibit 10s of Form 10-K filed with the Securities and Exchange Commission on February 25, 1993.

10v Amendment dated February 9, 1993 to the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan, incorporated by reference from Exhibit 10c of Form 10-Q filed with the Securities and Exchange Commission on July 13, 1993.

10w Amendment dated September 26, 1994 to the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan.

10x Employee Investment Plan of Levi Strauss Associates Inc.

10y Supplemental Pension Agreement dated April 16, 1985 between Levi Strauss & Co. and Thomas W. Tusher, incorporated by reference from Exhibit 10.13 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10z Supplemental Pension Agreement dated November 12, 1985 between Levi Strauss & Co. and George B. James, incorporated by reference from Exhibit 10.14 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10aa Letter Agreement dated August 29, 1985 between the Company and Thomas W. Tusher, incorporated by reference from Exhibit 10.15 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10bb Agreement dated as of May 1, 1989 between the Company and Boston Safe Deposit and Trust Company, incorporated by reference from Exhibit 10.17 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).

10cc Home Office Cash Performance Sharing Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10z of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.

10dd Field Profit Sharing Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10aa of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.

10ee Levi Strauss Associates Inc. 1992 Executive Stock Appreciation Rights Plan, incorporated by reference from Exhibit 10aa of Form 10-K filed with the Securities and Exchange Commission on February 25, 1993.

10ff Supply Agreement dated as of March 30, 1992, between Levi Strauss & Co. and Cone Mills Corporation, incorporated by reference from Exhibit 10bb of Form 10-K filed with the Securities and Exchange Commission on February 25, 1993.

10gg First Amendment to Supply Agreement dated as of March 30, 1992, between Levi Strauss & Co. and Cone Mills Corporation, incorporated by reference from Exhibit 10dd of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.

10hh Master Trust Agreement between Levi Strauss Associates Inc. and

Fidelity Management Trust Company, incorporated by reference from Exhibit 10a of Form 10-Q filed with the Securities and Exchange Commission on October 11, 1994.

10ii Materials Handling System Agreement dated October 31, 1994, between Levi Strauss & Co. and Computer Aided Systems, Inc.

10jj Form of Stock Purchase Agreement between Levi Strauss Associates Inc. and Individual Management Holder of Class L common stock.

10kk Form of Manager Family Member Stock Purchase Agreement between Levi Strauss Associates Inc. and Thomas W. Tusher.

10ll Form of Manager Family Member Stock Purchase Agreement between Levi Strauss Associates Inc. and George B. James.

10mm Partners in Performance Annual Incentive Plan of Levi Strauss Associates Inc. and Subsidiaries.

10nn Partners in Performance Long-Term Incentive Plan of Levi Strauss Associates Inc. and Subsidiaries.

21 Subsidiaries of Levi Strauss Associates Inc.

23 Consent of Independent Public Accountants.

(b) REPORTS ON FORM 8-K
There were no Reports on Form 8-K filed with the Commission during the fourth quarter of 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on February 9, 1995.

LEVI STRAUSS ASSOCIATES INC.

By Robert D. Haas

Robert D. Haas
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the following capacities on February 9, 1995.

Signature	Title
Walter A. Haas, Jr. (Walter A. Haas, Jr.)	Director, Honorary Chairman of the Board of Directors
Peter E. Haas, Sr. (Peter E. Haas, Sr.)	Director, Chairman of the Executive Committee
Robert D. Haas (Robert D. Haas)	Director, Chairman of the Board of Directors and Chief Executive Officer

Signature	Title
Angela G. Blackwell	Director

_____
(Angela G. Blackwell)

Director

_____
(Tully M. Friedman)

James C. Gaither Director

_____
(James C. Gaither)

Rhoda H. Goldman Director

_____
(Rhoda H. Goldman)

Peter E. Haas, Jr. Director

_____
(Peter E. Haas, Jr.)

F. Warren Hellman Director

_____
(F. Warren Hellman)

Signature	Title
Patricia S. Pineda	Director
James M. Koshland	Director
Thomas W. Tusher	Director, President and Chief Operating Officer
George B. James	Senior Vice President and Chief Financial Officer
Richard D. Murphy	Vice President, Controller and Chief Accounting Officer

_____
(Patricia S. Pineda)

_____
(James M. Koshland)

_____
(Thomas W. Tusher)

_____
(George B. James)

_____
(Richard D. Murphy)

SCHEDULE II

LEVI STRAUSS ASSOCIATES INC. AND SUBSIDIARIES
RESERVES
(In Thousands)

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C	COL. D	COL. E
	Balance at	Additions Charged to	Deductions	Balance at

Allowance for Doubtful Accounts	Beginning of Period	Costs and Expenses	From Reserve	End of Period
<S>	<C>	<C>	<C>	<C>
Year ended November 27, 1994:	$28,551	$5,409	$5,894	$28,066
Year ended November 28, 1993:	$27,806	$5,032	$4,287	$28,551
Year ended November 29, 1992:	$31,333	$5,424	$8,951	$27,806

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Levi Strauss Associates Inc.:

We have audited in accordance with generally accepted auditing standards, the financial statements of Levi Strauss Associates Inc. included in this Form 10-K and have issued our report thereon dated January 19, 1995. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. Schedule II is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

San Francisco, California,
January 19, 1995

SUPPLEMENTAL INFORMATION

The 1995 Proxy will be furnished to security holders subsequent to this filing.

CORPORATE DIRECTORY

Executive Office

Robert D. Haas, Chairman of the Board of Directors and Chief Executive Officer
Thomas W. Tusher, President and Chief Operating Officer

Honorary Chairman of the Board of Directors

Walter A. Haas, Jr.

Chairman of the Executive Committee of the Board of Directors

Peter E. Haas, Sr.

Corporate Executive Officers

Thomas J. Bauch -- Senior Vice President, General Counsel & Secretary
R. William Eaton, Jr. -- Senior Vice President, Chief Information Officer
Donna J. Goya -- Senior Vice President, Human Resources
George B. James -- Senior Vice President, Chief Financial Officer
Robert D. Rockey, Jr. -- Senior Vice President, President of Levi Strauss North America
Peter A. Jacobi -- Senior Vice President, President of Levi Strauss International

Directors

Angela Glover Blackwell -- Vice President, Rockefeller Foundation/(1)//(3)/
Tully M. Friedman -- General Partner, Hellman & Friedman/(1)//(3)/
James C. Gaither -- Partner, Cooley, Godward, Castro, Huddleson & Tatum/(2)//(3)/

Rhoda H. Goldman/(2)//(3)/
Peter E. Haas, Sr./(3)/
Peter E. Haas, Jr./(1)//(3)/
Robert D. Haas/(3)/
Walter A. Haas, Jr./(3)/
F. Warren Hellman -- General Partner, Hellman & Friedman/(1)//(2)/
James M. Koshland -- Partner, Gray, Cary, Ware & Freidenrich/(2)//(3)/
Patricia Salas Pineda -- General Counsel, New United Motor Manufacturing, Inc./(1)//(2)/
Thomas W. Tusher/(3)/

/(1)/ Member, Audit Committee
/(2)/ Member, Personnel Committee
/(3)/ Member, Corporate Ethics and Social Responsibility Committee

Executive Offices:

Levi's Plaza
1155 Battery Street
San Francisco, California 94111
(415) 544-6000

Questions and communications regarding employee investments should be sent to the Director of Employee Benefits at the above address.

Independent Public Accountants:

Arthur Andersen LLP

EXHIBIT INDEX

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10i	Deferred Compensation Plan for Outside Directors, incorporated by reference from Exhibit 10.9 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465).	--
10j	Revised Home Office Pension Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10j of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.	--
10k	Amendment dated November 22, 1994 to the Revised Home Office Pension Plan.	118
10l	Revised Employee Retirement Plan, incorporated by reference from Exhibit 10k of Form 10-K filed with the Securities and Exchange Commission on February 23, 1994.	--
10m	Amendment dated January 10, 1995 to the Revised Employee Retirement Plan.	119
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10q	Amendments dated August 5, 1992, March 31, 1992 and January 1, 1992 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10q of Form 10-K filed with the Securities and Exchange Commission on February 25, 1993.	--
10r	Amendment dated February 9, 1993 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10a of Form 10-Q filed with the Securities and Exchange Commission on July 13, 1993.	--
10s	Amendment effective as of March 1, 1993 to the Employee Stock Purchase and Stock Award Plan of Levi Strauss Associates Inc., incorporated by reference from Exhibit 10e of Form 10-Q filed with the Securities and Exchange Commission on July 13, 1993.	--
10t	Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan, incorporated by reference from Exhibit 4.2 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on February 9, 1990 (Reg. No. 33-33415), with amendments incorporated by reference from Exhibit 4.2 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on May 31, 1991 (Reg. No. 33-40947).	--
10u	Amendments dated July 21, 1992 and March 31, 1992 to the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan, incorporated by reference from Exhibit 10s of Form 10-K filed with the Securities and Exchange Commission on February 25, 1993.	--
10v	Amendment dated February 9, 1993 to the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan, incorporated by reference from Exhibit 10c of Form 10-Q filed with the Securities and Exchange Commission on July 13, 1993.	--
10w	Amendment dated September 26, 1994 to the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan.	120
10x	Employee Investment Plan of Levi Strauss Associates Inc.	123
10y	Supplemental Pension Agreement dated April 16, 1985 between Levi Strauss & Co. and Thomas W. Tusher, incorporated by reference from Exhibit 10.13 to the Company's Registration Statement on Form S-1,	

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10z Supplemental Pension Agreement dated November 12, 1985 between Levi Strauss & Co. and George B. James, incorporated by reference from Exhibit 10.14 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465). --

10aa Letter Agreement dated August 29, 1985 between the Company and Thomas W. Tusher, incorporated by reference from Exhibit 10.15 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465). --

10bb Agreement dated as of May 1, 1989 between the Company and Boston Safe Deposit and Trust Company, incorporated by reference from Exhibit 10.17 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on March 9, 1989 (Reg. No. 33-27465). --

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10hh Master Trust Agreement between Levi Strauss Associates Inc. and Fidelity Management Trust Company, incorporated by reference from Exhibit 10a of Form 10-Q filed with the Securities and Exchange Commission on October 11, 1994. --

10ii Materials Handling System Agreement dated October 31, 1994, between

Exhibit 10h

LEVI STRAUSS ASSOCIATES INC.

AMENDMENT AND RESTATEMENT OF LEVI STRAUSS ASSOCIATES INC. DEFERRED COMPENSATION PLAN FOR EXECUTIVES

WHEREAS, LEVI STRAUSS ASSOCIATES INC. (the "Company") maintains the Levi Strauss Associates Inc. Deferred Compensation Plan for Executives (the "Plan");

WHEREAS, pursuant to Article 10 of the Plan, the Board of Directors of the Company or its delegatee is authorized to amend the Plan at any time and for any reason;

WHEREAS, the Company desires to amend and restate the Plan to provide alternative measurement methods with respect to deferred compensation accounts and effect certain other changes;

WHEREAS, by resolutions duly adopted on June 18, 1992, the Board of Directors of the Company authorized Robert D. Haas, Chairman of the Board and Chief Executive Officer, to adopt certain amendments to the Plan and to delegate to any other officer of the Company the authority to adopt certain amendments to the Plan;

WHEREAS, on June 1, 1993, Robert D. Haas delegated to Donna J. Goya, Senior Vice President, the authority to amend the Plan subject to specified limits, and such delegation has not been amended, rescinded or superseded as of the date hereof,

WHEREAS, the amendment and restatement effected hereby are within such limits to the delegated authority of Donna J. Goya;

NOW, THEREFORE, effective April 1, 1994, the Plan is hereby amended and restated to read as set forth in the exhibit hereto.

IN WITNESS WHEREOF, the undersigned has set her hand hereunto, on August 22, 1994.

Donna J. Goya
Senior Vice President

LEVI STRAUSS ASSOCIATES INC.

AMENDMENT
OF
LEVI STRAUSS ASSOCIATES INC.
DEFERRED COMPENSATION PLAN
FOR EXECUTIVES

WHEREAS, LEVI STRAUSS ASSOCIATES INC. (the "Company") maintains the Levi Strauss Associates Inc. Deferred Compensation Plan for Executives (as amended and restated through April 1, 1994) (the "Plan");

WHEREAS, pursuant to Article 10 of the Plan, the Board of Directors of the Company or its delegatee is authorized to amend the Plan at any time and for any reason;

WHEREAS, the Company desires to amend the Plan;

WHEREAS, by resolutions duly adopted on June 18, 1992, the Board of Directors of the Company authorized Robert D. Haas, Chairman of the Board and Chief Executive Officer, to adopt certain amendments to the Plan and to delegate to any other officer of the Company the authority to adopt certain amendments to the Plan;

WHEREAS, on June 1, 1993, Robert D. Haas delegated to Donna J. Goya, Senior Vice President, the authority to amend the Plan subject to specified limits, and such delegation has not been amended, rescinded or superseded as of the date hereof,

WHEREAS, the amendments herein are within such limits to the delegated authority of Donna J. Goya;

NOW, THEREFORE, effective April 1, 1994, Section 6(f) shall be amended by the addition of a new paragraph at the end of existing Section 6(f), to read as set forth below:

> In the event the Administrative Committee approves a hardship distribution to an Eligible Employee under this Section 6(f), deferrals of such Eligible Employee's total compensation automatically shall be cancelled for the remaining portion of the calendar year in which the Eligible Employee's request is filed with the Administrative Committee.

IN WITNESS WHEREOF, the undersigned has set her hand hereunto, on August 22, 1994.

Donna J. Goya
Senior Vice President

Exhibit 10k

REVISED HOME OFFICE PENSION PLAN
OF
LEVI STRAUSS ASSOCIATES INC.

AMENDMENT

WHEREAS, LEVI STRAUSS ASSOCIATES INC. (the "Company") has adopted the Revised Home Office Pension Plan of Levi Strauss Associates Inc. (the "Plan");

WHEREAS, pursuant to Section 20.1 of the Plan, the Board of Directors of the Company is authorized to amend the Plan at any time and for any reason;

WHEREAS, the Company desires to amend the Plan to provide an early retirement program;

WHEREAS, by resolutions duly adopted on June 18, 1992, the Board of Directors of the Company authorized Robert D. Haas, Chairman of the Board and Chief Executive Officer, to adopt certain amendments to the Plan and to delegate to any other officer of the Company the authority to adopt certain amendments to the Plan;

WHEREAS, on June 1, 1993, Robert D. Haas delegated to Donna J. Goya, Senior Vice President, the authority to amend the Plan, subject to specified limits, and such delegation has not been amended, rescinded or superseded as of the date hereof; and

WHEREAS, the amendment herein is within such limits to the delegated authority of Donna J. Goya;

NOW, THEREFORE, the Plan is amended by the addition of an Addendum, to read as set forth on the attached exhibit.

IN WITNESS WHEREOF, the undersigned has set her hand hereunto on November 22, 1994.

Donna J. Goya
Senior Vice President

ADDENDUM TO THE
REVISED HOME OFFICE PENSION PLAN
OF

LEVI STRAUSS ASSOCIATES INC.

EARLY RETIREMENT INCENTIVE PROGRAM

1. Scope. This Addendum to the Plan describes the Early Retirement Incentive Program (the "Program"), under which eligible Members (as defined in Section 2 below) may retire and receive benefits under the Plan in addition to the benefits which would otherwise be payable under the Plan.

2. Eligibility. A Member is eligible for the Program (an "eligible Member") if:

a. Such Member is on the Home Office payroll of the Company on or after November 21, 1994;

b. Such Member has at least (i) 15 Years of Service as of June 1, 1995 and is not a Highly Compensated Employee for the Plan Year ending in 1994, or (ii) 20 Years of Service as of November 27, 1994 and is a Highly Compensated Employee for the Plan Year ending in 1994;

c. Such Member is at least age 50 as of (i) June 1, 1995 for a Member who is not a Highly Compensated Employee for the Plan Year ending in 1994; or (ii) November 27, 1994 for a Member who is a Highly Compensated Employee for the Plan Year ending in 1994; and

d. Such Member was laid off or resigned from employment in the Company's domestic contracting organization, the Richardson Technology Center or the LSNA Information Resources Organization on or after February 1, 1994 and before November 28, 1994, and received severance pay in connection with such layoff or resignation.

3. Participation. Participation in the Program is completely voluntary. In order to participate in the Program, an eligible Member shall elect to participate in the Program by completing an irrevocable written notice of such Member's acceptance ("Acceptance Notice") of the Program on the form prescribed for such purpose by the Administrative Committee. The Acceptance Notice must be received by the Administrative Committee on or after November 21, 1994 and before June 1, 1995. In addition, the Acceptance Notice shall be deemed complete only if it includes a retirement date which occurs on or after the date the eligible Member attains age 50.

4. Benefits.

4.1 In General. Any other provision of the Plan notwithstanding, an eligible Member who elects to participate in the Program (a "Participating

Member") shall be eligible for an immediate benefit under the Program as of the retirement date described in Section 3 of this Addendum and such retirement date shall be deemed to be an Early Retirement Date under the Plan.

4.2 Amount. The benefit payable under the Plan pursuant to the Program is the Benefit payable pursuant to Section 7 of the Plan as of the applicable Early Retirement Date; provided that for purposes of Table A of Section 7.1, the eligible Member's age shall be deemed to be age 55.

5. Other Plan Provisions.

a. A benefit under this Addendum shall be subject to Section 14.

b. Except as set forth in this Addendum, the provisions of the Plan shall apply to a benefit payable under the Program.

Exhibit 10m

LEVI STRAUSS ASSOCIATES INC.
REVISED EMPLOYEE RETIREMENT PLAN

AMENDMENT

WHEREAS, LEVI STRAUSS ASSOCIATES INC. (the "Company") has adopted the Levi Strauss Associates Inc. Revised Employee Retirement Plan (the "Plan");

WHEREAS, pursuant to Section 21.1 of the Plan, the Board of Directors of the Company is authorized to amend the Plan at any time and for any reason;

WHEREAS, the Company desires to amend the Plan to provide an early retirement program;

WHEREAS, by resolutions duly adopted on June 18, 1992, the Board of Directors of the Company authorized Robert D. Haas, Chairman of the Board and Chief Executive Officer, to adopt certain amendments to the Plan and to delegate to any other officer of the Company the authority to adopt certain amendments to the Plan;

WHEREAS, on June 1, 1993, Robert D. Haas delegated to Donna J. Goya, Senior Vice President, the authority to amend the Plan, subject to specified limits, and such delegation has not been amended, rescinded or superseded as of the date hereof; and

WHEREAS, the amendment herein is within such limits to the delegated authority of Donna J. Goya;

NOW, THEREFORE, the Plan is amended by the addition of an Appendix C, to read as set forth on the attached exhibit.

IN WITNESS WHEREOF, the undersigned has set her hand hereunto on January 10, 1995.

Donna J. Goya
Senior Vice President

APPENDIX C TO THE
LEVI STRAUSS ASSOCIATES INC.
REVISED EMPLOYEE RETIREMENT PLAN

EARLY RETIREMENT
INCENTIVE PROGRAM

1. Scope. This Appendix to the Plan describes the Early Retirement Incentive Program (the "Program"), under which eligible Members (as defined in Section 2 below) may retire and receive benefits under the Plan in addition to the benefits which would otherwise be payable under the Plan.

2. Eligibility. A Member is eligible for the Program (an "eligible Member") if:

a. Such Member is on the home office payroll of the Company on or after November 21, 1994;

b. Such Member has at least (i) 15 Years of Service as of June 1, 1995 and is not a Highly Compensated Employee under this Plan or the Revised Home Office Pension Plan of Levi Strauss Associates Inc. (the "HOPP") for the Plan Year ending in 1994, or (ii) 20 Years of Service as of November 27, 1994 and is a Highly Compensated Employee under this Plan or the HOPP for the Plan Year ending in 1994;

c. Such Member is at least age 50 as of (i) June 1, 1995 for a Member who is not a Highly Compensated Employee under this Plan or the HOPP for the Plan Year ending in 1994; or (ii) November 27, 1994 for a Member who is a Highly Compensated Employee under this Plan or the HOPP for the Plan Year ending in 1994; and

d. Such Member was laid off or resigned from employment in the Company's domestic contracting organization, the Richardson Technology Center or the LSNA Information Resources Organization on or after February 1, 1994 and before November 28, 1994, and received severance pay in connection with such layoff or resignation.

3. Participation. Participation in the Program is completely voluntary. In order to participate in the Program, an eligible Member shall elect to participate in the Program by completing an irrevocable written notice of such Member's acceptance ("Acceptance Notice") of the Program on the form prescribed for such purpose by the Administrative Committee. The Acceptance Notice must be received by the Administrative Committee on or after November 21, 1994 and before June 1, 1995. In addition, the Acceptance Notice shall be deemed complete only if it includes a retirement date which occurs on or after the date the eligible Member attains age 50.

4. Benefits.

4.1 In General. Any other provision of the Plan notwithstanding, an eligible Member who elects to participate in the Program (a "Participating

Member") shall be eligible for an immediate benefit under the Program as of the retirement date described in Section 3 of this Appendix C and such retirement date shall be deemed to be an Early Retirement Date under the Plan.

4.2 Amount. The benefit payable under the Plan pursuant to the Program is the Benefit payable pursuant to Section 8 of the Plan as of the applicable Early Retirement Date; provided that for purposes of Table A of Section 8.1(b), the eligible Member's age shall be deemed to be age 55.

5. Other Plan Provisions.

a. A benefit under this Appendix C shall be subject to Section 15.

b. Except as set forth in this Appendix C, the provisions of the Plan shall apply to a benefit payable under the Program.

Exhibit 10w

LEVI STRAUSS ASSOCIATES INC.
EMPLOYEE LONG-TERM INVESTMENT
AND SAVINGS PLAN

AMENDMENTS

WHEREAS, LEVI STRAUSS ASSOCIATES INC. (the "Company") has adopted the Levi Strauss Associates Inc. Employee Long-Term Investment and Savings Plan (the "Plan");

WHEREAS, pursuant to Section 16.1 of the Plan, the Board of Directors of the Company is authorized to amend the Plan at any time and for any reason;

WHEREAS, the Company desires to amend the Plan to permit participants to obtain hardship withdrawals in the event of losses attributable to certain natural disasters;

WHEREAS, by resolutions duly adopted on June 18, 1992, the Board of Directors of the Company authorized Robert D. Haas, Chairman of the Board and Chief Executive Officer, to adopt certain amendments to the Plan and to delegate to any other officer of the Company the authority to adopt certain amendments to the Plan;

WHEREAS, on June 1, 1993, Robert D. Haas delegated to Donna J. Goya, Senior Vice President, the authority to amend the Plan, subject to specified limits, and such delegation has not been amended, rescinded or superseded as of the date hereof; and

WHEREAS, the amendments herein are within such limits to the delegated authority of Donna J. Goya;

NOW, THEREFORE, the Plan is amended as set forth below:

1. Section 8.1(c) is amended as follows:

(a) The word "or" is deleted from the end of current paragraph (vi);

(b) The period at the end of current paragraph (vii) is deleted and in place thereof "; or" is added;

(c) A new paragraph (viii) is added to read as set forth below:

"(viii) The loss of income, real

property or personal property as a result of any natural disaster specified on Appendix B to the Plan by any individual or entity empowered to amend the Plan."

2. A new Appendix B shall be added to the Plan, to read as set forth on the attached Exhibit hereto.

IN WITNESS WHEREOF, the undersigned has set her hand hereunto as of the date indicated below.

Date

Donna J. Goya
Senior Vice President

LEVI STRAUSS ASSOCIATES INC.
EMPLOYEE LONG-TERM INVESTMENT
AND SAVINGS PLAN

APPENDIX B

ADDITIONAL ELIGIBLE HARDSHIPS

In accordance with Section 8.1(c)(viii) of the Plan, losses related to natural disasters described herein may form a basis for hardship withdrawals.

1. (a) Description of Natural Disaster.

(b) Limitations.

Exhibit 10x

EMPLOYEE INVESTMENT PLAN OF

LEVI STRAUSS ASSOCIATES INC.

(As Amended and Restated Effective September 1, 1994)

EMPLOYEE INVESTMENT PLAN OF

LEVI STRAUSS ASSOCIATES INC.

(As Amended and Restated Effective September 1, 1994)

TABLE OF CONTENTS

EMPLOYEE INVESTMENT PLAN OF
LEVI STRAUSS ASSOCIATES INC.

As Amended and Restated Effective September 1, 1994

SECTION 1 INTRODUCTION AND PERSONS TO WHOM PLAN APPLIES.

1.1 Introduction. Effective November 27, 1953, the Profit Sharing Plan of Levi Strauss & Co. (the "PSP") was established to provide eligible employees ("Employees") with a beneficial interest in the profits of Levi Strauss & Co. Effective August 6, 1985, the Frozen Profit Sharing Plan of Levi Strauss & Co. (the "FPSP") was established to hold certain accounts previously held under the Stock Purchase and Investment Plan of Levi Strauss & Co. (the "SPIP"). Effective August 6, 1985, the Employee Savings Plan of Levi Strauss & Co. (the "ESP") was established to provide Employees with a program of regular savings supplemented by Matching Contributions that was similar to aspects of the SPIP.

Effective October 1, 1988, the PSP and the FPSP were merged into the ESP. Effective August 1, 1989, the ESP was amended, restated and renamed the Employee Investment Plan of Levi Strauss Associates Inc. (the "EIP"). The EIP was amended from time to time after August 1, 1989, to comply with certain provisions of relevant law or implement other changes desired by Levi Strauss Associates Inc.

Levi Strauss Associates Inc. amended and restated the EIP, effective November 27, 1989 (the "Effective Date"), to comply with the Tax Reform Act of 1986 and other applicable legislation. By this amendment and restatement (the "Plan"), Levi Strauss Associates Inc. intends to amend the EIP, effective September 1, 1994 (the "Effective Date"), to effect certain plan design changes, including changes relating to a change in recordkeeper. Levi Strauss Associates Inc. intends that the Plan continue to qualify as a profit sharing plan under section 401(a) and related sections of the Code and as a cash or deferred arrangement under section 401(k) of the Code and that the trust established under the Plan continue to qualify as a tax-exempt trust under section 501(a) of the Code.

This amended and restated Plan is generally effective on September 1, 1994. Certain provisions of the Plan which were in effect on or after November 27, 1989, but which were amended before September 1, 1994 are included in Appendix A.

1.2 Persons to Whom Plan Applies. This Plan document is not a new Plan which succeeds the Plan as previously in effect, but is an amendment and restatement of the Plan as in effect before the Effective Date. The amount, right to and form of any benefits under the Plan, of each Member who is an Employee on and after the Effective Date, or of persons claiming benefits through such a Member will be determined under this Plan. The amount, right to and form of any benefits under this Plan, of each Member who has separated from Service with Levi Strauss Associates Inc. or an Affiliated Company, or of persons who are claiming benefits through such a Member, will be determined in accordance with the provisions of the Plan in effect on the date of the Member's separation from Service, except as may otherwise be expressly provided under this Plan, or unless the Member again becomes an Employee on or after the Effective Date. This amended and restated Plan will not reduce any Member's Plan Benefit under the Plan, as determined on the date immediately preceding the Effective Date, and this Plan will be construed accordingly.

SECTION 2. DEFINITIONS.

When used in this Plan document the following terms will have the following meanings:

2.1 "Accounts" means, to the extent applicable to a Member, one or more of the following accounts:

(a) Matching Account;

(b) Nonelective Account;

(c) Post-Tax Account;

(d) Pre-Tax Account;

(e) Profit Sharing 401(k) Account;

(f) Profit Sharing Regular Account; and

(g) Rollover Account.

2.2 "Act" means the Employee Retirement Income Security Act of 1974, as amended, and any Regulations or rulings issued under the Act.

2.3 "Administrative Committee" means the committee appointed to administer the Plan as described in Section 15.4.

2.4 "Affiliated Company" means:

(a) A corporation that is a member of a controlled group of corporations (as defined in section 414(b) of the Code) which includes Levi Strauss Associates Inc.;

(b) Any trade or business (whether or not incorporated) that is in common control (as defined in section 414(c) of the Code) with Levi Strauss Associates Inc.;

(c) An organization (whether or not incorporated) that is a member of an affiliated service group (as defined in section 414(m) of the Code) which includes Levi Strauss Associates Inc.;

(d) Any other entity required to be aggregated with Levi Strauss Associates Inc. under section 414(o) of the Code; or

(e) Any other entity designated as an Affiliated Company by the Board of Directors.

2.5 "Alternate Payee" means the spouse, former spouse, child or other dependent of a Member who is recognized by a Domestic Relations Order as having a right to receive all, or a portion, of a Member's Plan Benefit.

2.6 "Annual Additions" means the sum of the following additions to the Member's Accounts for the Plan Year:

(a) The amount of employer contributions and forfeitures allocated to the Member under any qualified defined contribution plan maintained by the Company and any Affiliated Company, including Profit Sharing Contributions, Matching Contributions, Nonelective Contributions and Forfeitures under this Plan;

(b) The aggregate employee contributions which the Member contributes to all qualified retirement plans maintained by the Company and all Affiliated Companies, including Post-Tax Contributions to this Plan;

(c) The amount of contributions made on behalf of the Member to any qualified defined contribution plan maintained by the Company and all Affiliated Companies under an election by the Member under a qualified cash or deferred arrangement, including Pre-Tax Contributions to this Plan; and

(d) Contributions allocated to any individual medical benefit account (within the meanings of sections 415(l) and 419A(d)(2) of the Code) that is established for the Member.

Employee contributions will be determined without regard to any rollover contributions (as defined in sections 402(a)(5), 403(a)(4), 403(b)(8) and 403(d)(3) of the Code) and without regard to any employee contributions to a simplified employee pension plan which are excludable from income under section 408(k)(6) of the Code. In addition, the 25% of compensation limitation described in section 415(c)(1)(B) of the Code will not apply to any contribution for medical benefits (within the meaning of section 419A(f)(2) of the Code) after the Member's separation from Service which is treated as an Annual Addition.

2.7 "Annuity Starting Date" means the first day of the first month for which an amount is payable as an annuity. The Annuity Starting Date for a Member who elects (with the consent of his or her spouse if the Member is legally married) to receive his or her Plan Benefit in a form other than an annuity in accordance with Section 11.5, is the first day on which all events (including the passing of the day on which benefit payments are scheduled to begin) have occurred which entitle the Member to receive his or her first benefit payment from the Plan.

2.8 "Beneficiary" means the beneficiary or beneficiaries designated by a Member under Section 3.1 and Section 14 (or any other person or persons designated as such under applicable law) to receive the amount, if any, payable under the Plan upon the Member's death.

2.9 "Board of Directors" means the Board of Directors of Levi Strauss Associates Inc. The Board of Directors may delegate to any committee, subcommittee or any of its members, or to any agent, its authority to perform any act under the Plan, including without limitation those matters involving the exercise of discretion. Any such delegation of discretion will be subject to revocation at any time at the discretion of the Board of Directors. Any reference to the Board of Directors in connection with such delegated authority will be deemed a reference to the delegate or delegates.

2.10 "Break in Service" means a period of at least 12 consecutive months, beginning on the date Service ends, during which a person has not performed 1 Hour of Service (or been treated as performing Service) under Section 2.66, as determined by the Administrative Committee.

2.11 "Code" means the Internal Revenue Code of 1986, as amended, and any Regulations or rulings issued under the Code.

2.12 "Committee" means the Administrative Committee or Investment Committee, as applicable.

2.13 "Company" means Levi Strauss Associates Inc., LS&CO. and each other Participating Company or any of them.

2.14 "Compensation" means a Member's compensation for a Plan Year paid by the Company for services while an Employee and a Member during that Plan Year, including salary, wages, fees, commissions, bonuses, incentive compensation and overtime pay. "Compensation" also includes the Member's Member Contributions to the Plan for the Plan Year and any amounts contributed by the Member to a cafeteria plan maintained by the Company under section 125 of the Code. Back pay awards will be included in Compensation only for the Plan Year in which the back pay award is made and the amount to be included will be limited to the amount attributable to that Plan Year, regardless of mitigation of damages.

If a Member is a territory manager, an account manager or an account executive, or any of the 3, for the entire Plan Year (or portion of the Plan Year during which he or she is a Member), his or her Compensation for

purposes of determining the Member's share of any allocation of Matching Contributions, Profit Sharing Contributions and Forfeitures will not exceed the following limits, as determined by the Administration Committee:

(a) The Compensation of a territory manager at the time as of which the allocation is made will not exceed the maximum for the Home Office Salary Grade 5 salary range in effect at the end of such Plan Year;

(b) The Compensation of an account manager at the time as of which the allocation is made will not exceed the maximum for the Home Office Salary Grade 6 salary range in effect at the end of such Plan Year; and

(c) The Compensation of an account executive at the time as of which the allocation is made will not exceed the maximum for the Home Office Salary Grade 7 salary range in effect at the end of such Plan Year.

In the case of a Member who is working abroad or who is working for a foreign subsidiary of the Company, but continues to be paid from the home office of the Company, "Compensation" will be the amount determined by the Administrative Committee to be the amount that would have been paid to the Member had he or she been on a domestic payroll of the Company.

"Compensation" will not include:

(a) Matching Contributions, Nonelective Contributions or Profit Sharing Contributions to the Plan under Sections 5 and 6 or amounts paid to the Member according to an election under Section 6.2;

(b) Amounts paid or contributed to any group insurance plan or other employee benefit plan established or maintained by the Company or an Affiliated Company, except as provided above;

(c) Relocation expenses;

(d) Ordinary income recognized by the employee related to the exercise of any right granted under a stock option plan maintained by the Company or an Affiliated Company;

(e) Compensation paid by the Company or an Affiliated Company as a nonrecurring or special bonus, tax reimbursement or award;

(f) Payments under the Company's long-term performance plan;

(g) Severance payments;

(h) Payments from the Company's Long Term Disability Plan;

(i) "Imputed income;" or

(j) "Perks."

"Imputed Income" means the amount of income recognized by a Member who receives Company paid life insurance in excess of $50,000 and such other amounts the Administrative Committee determines to be imputed income to the Member under the Code. "Perks" include, but are not limited to, Company paid parking, Company provided car allowances, and the flexible perk allowances provided to certain Members which may be used by the Member for financial counseling or planning; tax preparation or advice; excess medical expenses; physical examinations; additional life insurance, disability insurance, accidental death and dismemberment insurance or liability insurance; business lunch club dues or legal expenses.

For Plan Years beginning on and after the Effective Date, Compensation for any Plan Year in excess of $200,000 or any successor limitation as provided for the Plan Year in section 401(a)(17) of the Code (as adjusted as provided under section 401(a)(17) of the Code) will be disregarded. In determining the Compensation of a Member, the family aggregation rules of section 414(q)(6) of the Code will apply, except that in applying these rules, the term "family" will include only the spouse of the Member and any lineal descendants of the Member who have not reached age 19 before the close of the Plan Year.

A Member's Compensation will be determined by the Administrative Committee and such determination will be conclusive and binding on all persons.

2.15 "Domestic Relations Order" means any judgment, decree or order (including approval of a property settlement agreement) that:

(a) Relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of a Member; and

(b) Is entered or made under the domestic relations or community property laws of any state.

2.16 "Effective Date" means November 27, 1989, except as expressly stated otherwise in this document or as required to comply with the Tax Reform Act of 1986, as amended, and other applicable legislation.

2.17 "Employee" means any person who is employed by the Company excluding:

(a) Any employee of LS&CO, who is not paid from the home office of Levi Strauss Associates Inc.

(b) Any employee of a Participating Company other than LS&CO. who is not paid on a salary or commission basis; or

(c) Any stocktaker, service representative, Retiree Coordinator or "Temporary Employee;"

(d) Any employee who is not employed in a state or territory of the United States or who receives no remuneration from the Company that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code);

(e) Any alien who:

(i) Receives remuneration from the Company which constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code); and

(ii) Has been transferred by the Company from a job outside the United States to a job within the United States, during any period with respect to which the alien is benefiting (by reason of accruing a benefit or making or having contributions made on the alien's behalf) under:

(A) A retirement plan established or maintained outside of the United States by a foreign subsidiary (including a domestic subsidiary operating abroad) or foreign division of the Company; or

(B) The Levi Strauss International Retirement Plan for Third Country National Employees or any successor or similar plan maintained by the Company or any Affiliated Company;

(f) A United States citizen locally hired by a foreign subsidiary (including a domestic subsidiary operating abroad) or foreign division of the Company;

(g) Any employee who is included in a unit of employees covered by a negotiated collective-bargaining agreement which does not provide for his or her membership in the Plan;

(h) A "leased employee" (as defined in section 414(n) or section 414(o) of the Code) who is providing services to the Company or an Affiliated Company;

(i) Any employee who is covered by an individual employment contract that expressly provides he or she will not be eligible for membership in the Plan;

(j) An employee who is included in a group or classification of employees on the payroll of a company designated by the Board of Directors as not being eligible to participate in the Plan; or

(k) A Highly Compensated Employee, with respect to the eligibility to make Member Contributions or receive an allocation of Matching Contributions, Nonelective Contributions, Profit Sharing Contributions and Forfeitures only.

A member of the board of directors of the Company is not eligible for membership in the Plan unless he or she is also an Employee of the Company. The Board of Directors may on a nondiscriminatory basis, designate as an Employee a person described in (c), (d), (f) or (j) above. Such designation must be made in writing after receiving the advice of counsel.

A "Temporary Employee" means a person who:

(i) Is hired to fill, for a period not to exceed 6 calendar months, a position which arises from either an emergency situation or the temporary absence of an Employee; or

(ii) Is subject, as a condition of such employment, to termination without prior notice at any time.

A person's status as an Employee will be determined by the Administrative Committee, and such determination will be conclusive and binding on all persons.

2.18 "ESP" means the Employee Savings Plan of Levi Strauss & Co. as in effect before August 1, 1989.

2.19 "Fair Market Value" means the value of a share of LSAI Stock, determined by the latest independent appraisal of the value of LSAI Stock obtained by the Investment Committee. If LSAI Stock is offered to the public under the Registration Rights Agreement, "Fair Market Value" will mean the net proceeds realized by the Trustee in selling shares of LSAI Stock under such offering until LSAI Stock is reappraised or until a public market for LSAI Stock arises.

2.20 "Forfeiture" means the portion of a Member's Matching Account and Profit Sharing Regular Account which is forfeited under Section 11.1. The term "Forfeiture" also includes that portion of a Member's Profit Sharing Account that was forfeited on account of the Member's separation from service before November 26, 1990, and amounts forfeited under the ESP and PSP before August 1, 1989.

2.21 "FPSP" means the Frozen Profit Sharing Plan of Levi Strauss & Co. as in effect before October 1, 1988.

2.22 "Fund" means any of the investment funds described in Section 7.1.

2.23 "Highly Compensated Employee" means an Employee who:

(a) During the preceding Plan Year:

(i) Was at any time a 5% owner of the Company or an Affiliated Company (as defined in section 416(i)(1) of the Code);

(ii) Received "compensation" from the Company or an Affiliated Company in excess of $75,000 (as adjusted under Regulations

or rulings issued by the IRS);

(iii) Received "compensation" from the Company or an Affiliated Company in excess of $50,000 (as adjusted under Regulations or rulings issued by the IRS) and was in the top 20% of employees of the Company and all Affiliated Companies when ranked on the basis of "compensation" paid during such Plan Year (referred to as the "Top Paid Group" under IRS Regulations); or

(iv) Was at any time an officer of the Company or an Affiliated Company and received "compensation" greater than 50% of the amount in effect under section 415(b)(1)(A) of the Code; or

(b) During the Plan Year:

(i) Was at any time a 5% owner of the Company or an Affiliated Company (as defined in section 416(i)(1) of the Code); or

(ii) Satisfies the requirements of paragraphs (ii), (iii), or (iv) of Section 2.23(a) and is a member of the group consisting of the 100 employees of the Company and all Affiliated Companies paid the greatest "compensation" during the Plan Year.

For purposes of determining the number of employees in the Top Paid Group for a Plan Year, the following employees, as described in section 414(q)(8) and section 414(q)(11) of the Code, will be excluded:

(i) Those who have not completed 6 months of service;

(ii) Those who normally work less than 17-1/2 hours per week;

(iii) Those who normally work less than 6 months during any year;

(iv) Those who have not attained age 21;

(v) Those subject to a collective bargaining agreement; and

(vi) Nonresident aliens who receive no earned income from sources within the United States.

The Administrative Committee will determine whether an employee is an officer based on the responsibilities of the employee with the Company or an Affiliated Company. Of those employees determined to be officers, no more than 50 employees (or, if less, the greater of 3 employees or 10% of the employees, excluding all employees described in section 414(q)(8) and section 414(q)(11) of the Code) will be treated as officers. Further, if no officer receives the level of "compensation" described in Section 2.23(a)(iv), the highest paid officer of the Company and all Affiliated Companies will be treated as a Highly Compensated Employee described in Section 2.23(a)(iv).

For purposes of determining whether an employee is a Highly Compensated Employee only, any person who is a member of the family of a 5% owner or of a Highly Compensated Employee in the group consisting of the 10 Highly Compensated Employees paid the greatest "compensation" during the Plan Year:

(i) Will not be considered a separate employee; and

(ii) Any "compensation" paid to the person and any Company or Employee contributions made on behalf of the person will be treated as if it were paid to or on behalf of the 5% owner or Highly Compensated Employee.

For purposes of the immediately preceding sentence, the term "family" means, with respect to any employee, the employee's spouse and lineal ascendants or descendants and the spouses of such lineal ascendants or descendants.

"Compensation" for purposes of this Section 2.23 means Total Compensation as defined in Section 2.68 of the Plan, determined without regard to section 125 of the Code (regarding contributions to a cafeteria plan); section 402(a)(8) of the Code (regarding contributions to a 401(k) plan) and section 402(h)(1)(B) of the Code (regarding contributions to a simplified employee pension plan); and in the case of employer contributions made under a salary reduction agreement, without regard to section 403(b) (regarding annuity contracts).

2.24 "Highly Compensated Former Employee" means a former employee who separates from Service before the beginning of the Plan Year and who was a Highly Compensated Employee for either:

(a) The employee's year of separation from Service; or

(b) Any Plan Year ending on or after the employee's 55th birthday.

An employee who performs no services for the Company or an Affiliated Company during the Plan Year will be treated as a former employee.

2.25 "Home Office Salary Grade" means the LS&CO. job classification system for home office employees as in effect from time to time.

2.26 "Hour of Service" means an hour of employment for which an Employee is paid or is entitled to payment for the performance of duties as determined under the Labor Department Regulations governing the computation of hours of service.

2.27 "Inactive Member" means an individual participating in the Plan under Sections 3.3, 3.5 and 4.7.

2.28 "Insider" means a Member who is subject to Section 16(a) of the Securities Exchange Act of 1934, as amended.

2.29 "Investment Committee" means the committee appointed to manage and control the Plan's assets as described in Section 15.4.

2.30 "Investment Manager" means a person who is appointed to direct the investment of all or any part of the Trust Fund under Section 15.2 and is either a bank, an insurance company or a registered investment adviser under the Investment Advisers Act of 1940 and who has acknowledged in writing that it is a fiduciary with respect to the Plan.

2.31 "IRS" means the United States Internal Revenue Service.

2.32 "Labor Department" means the United States Department of Labor.

2.33 "LSAI Stock" means shares of common or preferred stock of Levi Strauss Associates Inc. that have been authorized for issuance to or ownership by the Trustee.

2.34 "LS&CO." means Levi Strauss & Co., a Delaware corporation.

2.35 "Matching Account" means the account maintained for a Member to hold the Member's Matching Contributions.

2.36 "Matching Contribution" means the contribution made by the Company under Section 5.1.

2.37 "Member" means a person who is either an "Active Member" who participates in all features of the Plan or an "Inactive Member" who only participates in certain features of the Plan under Sections 3.3, 3.5 or 4.7.

2.38 "Member Contributions" means Post-Tax Contributions and/or Pre-Tax Contributions.

2.39 "Membership Date" means the first day of each payroll period.

2.40 "Misconduct" means that a person:

(a) Has committed an act of embezzlement, fraud or theft with respect to the property of the Company or an Affiliated Company or any person with whom the Company or an Affiliated Company does business;

(b) Has deliberately disregarded the rules of the Company or an Affiliated Company in such a manner as to cause material loss, damage or injury to, or otherwise endanger the property or employees of the Company or an Affiliated Company;

(c) Has made any unauthorized disclosure of any of the secrets or confidential information of the Company or an Affiliated Company;

(d) Has engaged in any conduct that constitutes unfair competition with the Company or an Affiliated Company;

(e) Has induced any person to breach any contract with the Company or an Affiliated Company; or

(f) Has sold Company or an Affiliated Company products to an unauthorized account or has assisted an authorized account in wholesaling Company or an Affiliated Company products.

2.41 "Mutual Fund" means a regulated investment company, as defined in section 851 of the Code.

2.42 "Nonelective Account" means the account maintained for a Member to hold the Member's Nonelective Contributions.

2.43 "Nonelective Contribution" means the contribution made by the Company under Section 5.2.

2.44 "Normal Retirement Age" means age 65.

2.45 "Participating Company" means LS&CO. or any Affiliated Company, the board of directors or equivalent governing body of which adopts the Plan and the Trust Agreement by appropriate action with the written consent of the Board of Directors. Any Affiliated Company which so adopts the Plan will be deemed to appoint Levi Strauss Associates Inc., the Administrative Committee, the Investment Committee and the Trustee as its exclusive agents to exercise on its behalf all of the power and authority conferred under this Plan, or by the Trust Agreement, upon the Company. The authority of Levi Strauss Associates Inc., the Committees and the Trustee to act as such agents will continue until the Plan is terminated as to the Affiliated Company and the relevant portion of the Trust Fund has been distributed by the Trustee as provided in Section 17.2.

2.46 "Plan" means this Employee Investment Plan of Levi Strauss Associates Inc., as amended from time to time.

2.47 "Plan Benefit" means the benefit distributable to a Member or Beneficiary under Section 11.

2.48 "Plan Year" means the annual period corresponding to LS&CO.'s fiscal year for federal income tax purposes.

2.49 "Post-Tax Account" means the account maintained for a Member to hold the Member's Post-Tax Contributions.

2.50 "Post-Tax Contributions" means the post-tax contributions made by a Member under Section 4.1.

2.51 "Pre-Tax Account" means the account maintained for a Member to hold the Member's Pre-Tax Contributions.

2.52 "Pre-Tax Contributions" means the contributions made to the Plan on behalf of a Member under Section 4.

2.53 "Profit Sharing 401(k) Account" means the account maintained for the Member consisting of Profit Sharing Contributions which the Member could have elected to receive in cash under Section 6.2.

2.54 "Profit Sharing Regular Account" means the account maintained for a Member consisting of Profit Sharing Contributions which the Member could not have elected to receive in cash under Section 6.2.

2.55 "Profit Sharing Contribution" means the contribution made by the Company under Section 6.

2.56 "PSP" means the Profit Sharing Plan of Levi Strauss & Co. as in effect before October 1, 1988.

2.57 "Qualified Domestic Relations Order" means a Domestic Relations Order that satisfies the requirements described in Section 19.3.

2.58 "Qualified Member" means a Member who has reached age 63, or who has reached age 53 and completed at least 13 Years of Service.

2.59 "Quarter" means each quarter of the calendar year.

2.60 "Registration Rights Agreement" means the registration rights agreement entered into by Levi Strauss Associates Inc. and the Trustee, as amended from time to time, under which the Trustee may require Levi Strauss Associates Inc. under certain circumstances to register LSAI Stock under the Securities Act of 1933.

2.61 "Regulations" means the applicable regulations issued under the Code or the Act by the IRS or the Labor Department or any other governmental authority and any temporary rules promulgated by such authorities pending the issuance of such regulations.

2.62 "Required Beginning Date" generally means April 1 of the calendar year following the calendar year in which the Member attains age 70-1/2. However, the Required Beginning Date for a Member who is not a 5% owner, within the meaning of section 416(i)(1)(B)(i) of the Code, who attained age 70-1/2 during 1988 and had not retired by the Effective Date, will be April 1, 1990. In addition, the Required Beginning Date for a Member who attained age 70-1/2 before January 1, 1988, and who was not a 5% owner, within the meaning of section 416(i)(1)(B)(i) of the Code, during any Plan Year ending with or within the Plan Year in which he or she reached age 66-1/2, or any subsequent year, is the April 1 following the later of the calendar year in which the Member reaches age 70-1/2 or retires. Lastly, the Required Beginning Date for a Member who filed a written election under section 242(b) of the Tax Equity and Fiscal Responsibility Act of 1982 before January 1, 1984, will be the date specified in such election if the election satisfies all of the applicable requirements specified by the IRS, as determined by the Administrative Committee.

2.63 "Retiree Coordinator" means a retired Employee of the Company who resumes employment with the Company or an Affiliated Company on a temporary basis for the purpose of providing personal relations type services to other retired employees of the Company or an Affiliated Company.

2.64 "Rollover Account" means the account maintained for a Member to hold the Member's Rollover Contributions.

2.65 "Rollover Contributions" means the rollover contributions made by a Member under Section 4.7.

2.66 "Service" means employment (whether or not as an Employee) with the Company or an Affiliated Company. Service will begin on the date an Employee first performs 1 Hour of Service for the Company or an Affiliated Company. Service will end on the earlier of:

(a) The date the Employee retires;

(b) The date the Employee dies;

(c) The date the Employee terminates employment; or

(d) The first anniversary of the date the Employee is absent from Service for any other reason (e.g. an authorized leave of absence as described in paragraphs (i) and (ii), etc. below).

Subject to any applicable rules of the Administrative Committee (which rules will be uniformly applicable to all Employees similarly situated), Service includes:

(i) Periods of vacation;

(ii) Periods of absence whether or not the Employee is paid, not to exceed 12 calendar months, authorized by the Company for sickness, temporary disability or personal reasons;

(iii) Periods of service in the Armed Forces of the United States, if and to the extent required by the Military Selective Services Act, as amended, or any other federal law of similar import; provided that the Employee returns to Service with the Company or an Affiliated Company within the time his or her employment rights are protected by such law; and

(iv) Any period of 12 consecutive months or less, beginning on the first day of a month after a Member terminates employment and ending on the last day of the month preceding the Member's reemployment date, if the Member performs at least 1 Hour of Service within the first month of reemployment.

If an Employee is on a leave of absence for more than 12 months, the Employee will be deemed to have quit and terminated Service as of the end of

such 12 month period if the Employee fails to abide by the terms and conditions of such leave (which may include a requirement of reemployment), as established from time to time by the Administrative Committee. If an Employee retires, dies or terminates employment while on leave of absence, vacation, holiday or jury duty or while disabled or sick, his or her Service will terminate on the earlier of:

(i) The date of such retirement, death or termination; or

(ii) 12 months after the start of a leave, vacation or holiday or onset of disability or sickness.

All Service will be aggregated, whether or not such Service is performed consecutively, and every partial month will be deemed to be one full month of Service.

An Employee's Period of Service will be determined by the Administrative Committee and such determination will be conclusive and binding on all persons.

2.67 "Surviving Spouse" means, with respect to any deceased member, the individual (if any) who is considered to be the spouse of such Member under local law at the time of such Member's death.

2.68 "Total Compensation" means all wages, salaries, and fees for professional services and other amounts received during the Plan Year for personal services actually rendered in the course of employment with the Company or an Affiliated Company (including, but not limited to, commissions paid sales representatives, account executives and account managers, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, reimbursements and other expenses under a nonaccountable plan as described in section 1.62 of the Code) determined without regard to any exclusions from income under section 931 and section 933 of the Code. "Total Compensation" will also include:

(a) In the case of a Member who is an employee within the meaning of section 401(c) of the Code, the Member's earned income (as described under section 401(c)(2) of the Code) determined without regard to any exclusions from gross income similar to those under section 931 and section 933 of the Code;

(b) Any foreign earned income as defined under section 911(b) of the Code, regardless of whether such income is excludable from the gross income of the Member under section 911 of the Code;

(c) Amounts described in sections 104(a)(3), 105(a) and 105(b) of the Code, but only to the extent that such amounts are includable in the gross income of the Member;

(d) Amounts paid or reimbursed by the Company or an Affiliated

Company for moving expenses incurred by the Member, but only to the extent that such amounts are not deductible by the Member under section 217 of the Code;

(e) The value of a nonqualified stock option granted to the Member by the Company or an Affiliated Company, but only to the extent that the value of the option is includable in the gross income of the Member for the taxable year when granted; and

(f) The amount includable in the gross income of the Member upon making an election described in section 83(b) of the Code.

"Total Compensation" will not include:

(a) Company contributions to a plan of deferred compensation that, to the extent that before the application of the limitations under section 415 of the Code to that plan, the contributions are not includable in the Member's gross income for federal income tax purposes in the taxable year of the Member in which the contributions are made;

(b) Company contributions under a simplified employee pension plan described in section 408(k) of the Code to the extent that such contributions are not considered as compensation for the taxable year in which contributed;

(c) Any distributions from a plan of deferred compensation regardless of whether such amounts are includable in gross income of the Member for federal income tax purposes in the taxable year of distribution;

(d) Amounts realized from the exercise of a nonqualified stock option;

(e) Amounts realized when restricted stock (or property) held by the Member either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(f) Amounts realized from the sale, exchange or other distribution of stock acquired under an incentive stock option; and

(g) Other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are not includable in the gross income of the Member) or contributions made by an employer (whether or not under a salary reduction arrangement) towards the purchase of an annuity contract described in section 403(b) of the Code (whether or not the contributions are excluded from the gross income of the Member.

For Plan Years beginning on and after the Effective Date, Total Compensation in excess of $200,000 or any successor limitation as provided for the Plan Year in Section 401(a)(17) of the Code, (as adjusted as provided under section 401(a)(17) of the Code) will be disregarded. In determining the Total Compensation of a Member, the family aggregation rules under

section 414(q) of the Code will apply, except that in applying those rules, the term "family" will only include the spouse of the Member and any lineal descendants of the Member who have not reached age 19 before the close of the Plan Year.

2.69 "Totally and Permanently Disabled" means the Member is eligible to receive disability benefits under the Federal Social Security Act or, alternatively, has been determined to be totally and permanent disabled by the Administrative Committee based on competent medical evidence.

2.70 "Trust Agreement" means the trust agreement or agreements between Levi Strauss Associates Inc. and a Trustee under which the assets of the Plan are managed.

2.71 "Trust Fund" means the trust fund or funds consisting of the assets of the Plan and maintained by the Trustee under the Plan and Trust Agreement.

2.72 "Trustee" means the trustee or trustees of the Trust Fund.

2.73 "Valuation Date" means any business day.

2.74 "Vested Interest" means the nonforfeitable interest of a Member in a particular Account, determined in accordance with Section 11.1.

2.75 "Year of Service" means a 12 month period of Service in which the Member has Service under Section 2.66. A Member's Years of Service will be determined by the Administrative Committee and such determination will be conclusive and binding on all persons.

SECTION 3 MEMBERSHIP AND TRANSFER.

3.1 Commencement of Membership. Each Employee who was a Member in the Plan on the Effective Date will continue to be a Member. Each Employee who was not a Member in the Plan on the Effective Date, will become a Member in the Plan on the first day of the pay period coinciding with or next following the day on which he or she completes a Year of Service. Upon becoming a Member, an Employee will designate a Beneficiary under Section 2.8 and Section 14.

3.2 Rehired and Transferred Employees. A former Employee who is rehired, will be eligible to begin or resume membership in the Plan on the first day of the first pay period coinciding with or next following the date he or she attains or returns to the status of an Employee and has completed a Year of Service. Similarly, an employee of the Company or an Affiliated Company who becomes an Employee after the Membership Date following his or her completion of a Year of Service, will be eligible to begin or resume membership in the Plan on the first day of the first pay period of any month coinciding with or next following the date he or she attains or returns to the status of an Employee.

3.3 Suspension of Membership. A Member's membership in the Plan will be suspended under the applicable paragraph (a) or (b) below.

(a) Change in Employment Status. A Member's membership in the Plan will be suspended for any period during which the Member is an employee of the Company or an Affiliated Company but not an Employee. A Member whose participation is suspended under this Section 3.3(a) may not make Member Contributions or receive any allocation of Nonelective Contributions, Profit Sharing Contributions or Forfeitures with respect to the period of suspension.

(b) Withdrawals from Post-Tax Account. A Member's membership in the Plan will be suspended for at least 3 fiscal months following certain withdrawals from his or her Post-Tax Account as provided in Section 9.1. A Member whose Membership is suspended under this Section 3.3(b) may not make Member Contributions, but may receive an allocation of Nonelective Contributions, Profit Sharing Contributions or Forfeitures with respect to the period of suspension.

A suspended Member's Accounts will continue to share in the income, gains, losses and expenses of the Trust Fund.

3.4 Termination of Membership. A Member's membership in the Plan will end when his or her Plan Benefit has been distributed or on the date of his or her death, whichever occurs first.

3.5 Highly Compensated Employees. Any Employee who is a Highly Compensated Employee will only be eligible for membership in the Plan as an Inactive Member, provided that he or she otherwise satisfies the eligibility requirements of Section 3.1. An Inactive Member will not be eligible to make Member Contributions under Section 4 of the Plan or to receive any allocation of Matching Contributions, Nonelective Contributions, Profit Sharing Contributions or Forfeitures under Section 5 and Section 6 of the Plan. An Inactive Member will, however, be eligible to:

(a) Make Rollover Contributions to the Plan under Section 4.7;

(b) Direct the investment of his or her Accounts under Section 7;

(c) Make withdrawals from his or her Accounts under Section 9; and

(d) Obtain Plan loans under Section 10.

An Inactive Member will continue to be subject to the remaining provisions of the Plan. The Administrative Committee will periodically determine whether Members in the Plan are Highly Compensated Employees and any such Member's status will change from an Active Member to an Inactive Member as soon as practicable after the Administration Committee makes such determination.

SECTION 4 MEMBER CONTRIBUTIONS.

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4.1 Election to Make Contributions. A Member whose membership is not suspended under Section 3.3 or Section 3.5 may elect, as of the first day of any pay period in any month, to begin making Member Contributions to the Plan in 1% increments, up to a maximum of 10% of his or her Compensation. The Member may elect to make such Member Contributions either as Pre-Tax Contributions or as Post-Tax Contributions. A Member's election to make Pre-Tax Contributions will constitute an election (for federal tax purposes and, wherever permitted, for state and local tax purposes) to have his or her taxable Compensation reduced by the amount of all Pre-Tax Contributions.

4.2 Maximum Pre-Tax Contributions. The sum of a Member's Pre-Tax Contributions to the Plan for any calendar year and the portion of the Member's Profit Sharing Contribution which the Member could have received in cash during such calendar year (if the Member does not elect to receive such portion under Section 6.2) will not exceed $7,000 (as adjusted under section 402(g)(5) of the Code for cost of living increases). If any Member's Pre-Tax Contributions are affected by this limitation, the Member will continue to make such contributions as Post-Tax Contributions to the Plan unless the Member elects to suspend such Contributions as provided in Section 4.3.

4.3 Change or Suspension of Contributions. A Member, at any time, may change the rate of his or her Member Contributions within the dollar limitation described in Section 4.1 or may change the nature of such Member Contributions as Pre-Tax Contributions or Post-Tax Contributions by filing the prescribed form with the Administrative Committee, or by utilizing such other notification procedure as is prescribed by the Administrative Committee. A Member may suspend all Member Contributions by filing the prescribed form with the Administrative Committee, or by utilizing such other notification procedure as is prescribed by the Administrative Committee. Such changes in rate or nature of contributions or suspension will be effective as soon as reasonably practicable after the date the form is filed with or notice is received by the Administrative Committee.

4.4 Resumption of Contributions. A Member who has suspended all Member Contributions under Section 4.3 may resume Member Contributions at any time by filing the prescribed advance notice with the Administrative Committee. The resumption in contributions will be effective as soon as reasonably practicable after the applicable notice is received by the Administrative Committee.

4.5 Withholding and Deposit With Trustee; Crediting Accounts. All Member Contributions to the Plan will be withheld through payroll deductions from the Member's Compensation and will be paid to the Trustee as soon as reasonably practicable following the end of the pay period in which they are withheld. A Member's Pre-Tax Contributions will be credited to his or her Pre-Tax Account and the Member's Post-Tax Contributions will be credited to his or her Post-Tax Account.

4.6 Distribution of Excess Contributions and Deferrals.

(a) Excess Contributions. If a Member who is a Highly Compensated Employee makes Pre-Tax Contributions which constitute "Excess Contributions" (as defined in section 401(k)(8)(B) of the Code and the Regulations issued under such Code section which are expressly incorporated by this reference) with respect to a Plan Year, such Excess Contributions (and the earnings on such contributions) will be distributed to the Member after the end of such Plan Year. Such distribution will be made as soon as administratively practicable, but in no event later than the end of the next Plan Year. Pre-Tax Contributions and any earnings on such contributions directed by the Highly Compensated Employees having the highest rate of Pre-Tax Contributions (as a percentage of Compensation) will be refunded first under the provisions of the applicable Regulations. Any refund of Pre-Tax Contributions and earnings on such contributions will be limited to the amount that, in the judgment of the Administrative Committee, will result in the Plan satisfying the requirements of section 401(k)(3)(A) of the Code. Nonelective Contributions which are considered elective contributions under section 1.401(k)-1(g)(7)(i) of the Code shall be handled as Pre-Tax Contributions under this Section 4.6(a).

(b) Excess Deferrals. If a Member makes Pre-Tax Contributions which constitute "Excess Deferrals" (as defined in section 402(g)(2)(A) of the Code and the Regulations issued under such Code section which are expressly incorporated by this reference) to one or more plans with respect to a calendar year, the Member may allocate the Excess Deferrals among the plans to which such deferrals were made and notify the Administrative Committee in writing by March 1 of the next calendar year of the Excess Deferrals allocated to the Plan. Upon the Administrative Committee's receipt of such notice, the amount of the Excess Deferrals designated by the Member (and any earnings on such amount) will be distributed to the Member by April 15 of such year.

(c) Excess Aggregate Contributions. If a Member who is a Highly Compensated Employee makes Post-Tax Contributions which constitute "Excess Aggregate Contributions" (as defined in section 401(m)(6)(B) of the Code and the Regulations issued under such Code section which are expressly incorporated by this reference) with respect to a Plan Year, such Excess Aggregate Contributions (and any earnings on such contributions) will be distributed to the Member by the end of the next Plan Year. Post-Tax Contributions and any earnings on such contributions directed by the Highly Compensated Employees having the highest rate of Post-Tax Contributions (as a percentage of Compensation) will be refunded first under the provisions of applicable Regulations. Any refund of Post-Tax Contributions and earnings will be limited to the amount that, in the judgment of the Administrative Committee, will result in the Plan satisfying the requirements of section 401(m)(3) of the Code.

4.7 Rollover Contributions. An Employee may make a Rollover Contribution to the Plan in an amount equal to all or part of a previous distribution from a plan that, at the time of the distribution, met the requirements of section 401(a) of the Code. The Rollover Contribution must

be made in cash within 60 days after its receipt by the Employee either from the qualified plan or from an individual retirement account which meets the requirements of section 408 of the Code and has only been used to hold qualified plan distributions. A Rollover Contribution will be permitted only if the Employee establishes that:

(a) The Rollover Contribution includes no assets other than those attributable to employer contributions, earnings on employer contributions and earnings on employee contributions under plans qualified under section 401(a) of the Code; and

(b) If the amount was received by the Employee from a qualified plan, the Rollover Contribution qualifies as an "eligible rollover distribution" under section 402(c)(4) of the Code; or

(c) If the amount was received by the Employee from an individual retirement account, which contains funds described in Section 4.7(a) only, the distribution from such account represented a total distribution of such account.

The Rollover Contribution will be paid to the Trustee as soon as practicable, credited to the Employee's Rollover Account and invested as described in Section 7. If it is determined that a Member's Rollover Contribution mistakenly failed to qualify under the Code as a tax-free rollover, then the balance in the Member's Rollover Account attributable to the mistaken contribution immediately will be segregated from all other Plan assets, treated as a nonqualified trust established by and for the benefit of the Member, and distributed to the Member. Such a mistaken contribution will be deemed never to have been a part of the Plan.

SECTION 5 MATCHING AND NONELECTIVE CONTRIBUTIONS.

5.1 Matching Contribution. Except as provided below, for each period (an "Accumulation Period") during a Plan Year with respect to which a transfer of Member Contributions to the Stock Fund is permitted in accordance with Section 7.2(b), the Company will make a Matching Contribution to the Plan in an amount equal to 50% of each Member's Member Contributions for the Accumulation Period. The Matching Contribution will be reduced by any amount which cannot be allocated to the Member because of the contribution limitation described in Section 12.1, or with respect to territory representatives, account executives and account managers only, the limit on Compensation under Section 2.14. The Board of Directors may determine in its sole discretion that:

(a) No Matching Contribution will be made for a particular Plan Year or portion of a Plan Year;

(b) A lesser Matching Contribution will be made, in view of Company performance, and economic and financial conditions prevailing and anticipated at the time; or

(c) A greater Matching Contribution will be made for a particular Plan Year or portion of a Plan Year.

No Matching Contribution will be made for a Member unless he or she:

(a) Is an Employee on the last day of the final preceding payroll period with respect to which a Member may make a Contribution which would be matched by a portion of such Matching Contribution;

(b) Ceased to be an Employee during the Plan Year:

(i) After attaining age 55 and completing 15 years of Service;

(ii) After attaining Normal Retirement Age;

(iii) By reason of death; or

(iv) By reason of Total and Permanent Disability,

and his or her Accounts have not been distributed under Section 11.

The Matching Contribution may be made in the form of cash or in the form of shares of LSAI Stock, or a combination of both.

5.2 Nonelective Contribution. In order to enable the Plan to satisfy the provisions of section 401(k) or section 401(m) of the Code, the Company may elect to make a Nonelective Contribution to the Plan for each Plan Year in an amount, if any, as the Board of Directors in its sole discretion may determine. Except to the extent necessary to satisfy the requirements of section 401(k) or section 401(m) of the Code, no Nonelective Contribution will be made for a Member unless he or she:

(a) Is an Employee on the date as of which a Nonelective Contribution is allocated; or

(b) Ceased to be an Employee during the Plan Year:

(i) After attaining age 55 and completing 15 years of Service;

(ii) After attaining age 65;

(iii) By reason of death; or

(iv) By reason of Total and Permanent Disability,

and his or her Accounts have not been distributed under Section 11.

The Nonelective Contribution may be made in the form of cash or in the

form of shares of LSAI Stock, or a combination of both.

5.3 Deposit with Trustee; Crediting Accounts. The Matching Contribution for any Plan Year will be paid to the Trustee at the time when Member Contributions designated for investment in the Stock Fund are transferred to the Stock Fund under Section 7.2 and will be allocated among Members in proportion to their Member Contributions during the Accumulation Period to any Fund. A Member's share of the Matching Contribution will be allocated and credited to the Member's Matching Account as of the earlier of:

(a) The date the Matching Contribution is made to the Plan; or

(b) The end of the Plan Year during which the Member Contributions with respect to which such Matching Contribution is made.

Forfeitures arising under Section 11.1 with respect to any Member's Matching Account during a Plan Year will be allocated among other Members as an additional Matching Contribution for such Plan Year and credited to such Members' Matching Accounts.

The Nonelective Contribution will be paid to the Trustee after such contribution is authorized by the Board of Directors, but no later than 12 months after the end of the Plan Year in which such contribution is made. The amount allocated to each Member's Nonelective Account will be determined by the Board of Directors, or if the Board declines to make such determination, the Administrative Committee. A Member's Nonelective Contribution will be allocated and credited to the Member's Nonelective Account as of the end of the Plan Year with respect to which the Nonelective Contribution is made. Nothing in this Section 5.3 will be construed as requiring an allocation of a Nonelective Contribution to be made on behalf of any Highly Compensated Employee within the meaning of section 401(k) or section 401(m) of the Code.

5.4 Curtailment or Distribution from Plan of Excess Aggregate Contributions. If any Matching Contribution and/or Nonelective Contribution otherwise allocable to a Member who is a Highly Compensated Employee would constitute an "Excess Aggregate Contribution" (as defined in section 401(m)(6)(B) of the Code and the Regulations issued under such Code section which are expressly incorporated by this reference) with respect to the Plan Year, then:

(a) The Matching Contribution and/or Nonelective Contribution will not be made to the Plan, if the Matching Contribution and/or Nonelective Contribution has not been made to the Plan as of the date on which the Matching and/or Nonelective Contributions are determined to constitute an Excess Aggregate Contribution; or

(b) The Matching Contribution and/or Nonelective Contribution (and any earnings on such contributions) will be distributed to the Member by the end of the next Plan Year, if the Matching Contribution and/or Nonelective Contribution has been made to the Plan before the date on which the Matching

and/or Nonelective Contributions are determined to constitute an Excess Aggregate Contribution.

The Matching Contribution and/or Nonelective Contribution made on behalf of Highly Compensated Employees having the highest rate of Matching Contribution and/or Nonelective Contribution will be reduced and/or distributed first, under the terms of the applicable Regulations. Any reduction and/or distribution of a Matching Contribution and/or Nonelective Contribution made will be limited to the amount which, in the judgment of the Administrative Committee, is expected to meet the requirements of section 401(m)(6)(B) of the Code.

SECTION 6 PROFIT SHARING CONTRIBUTION.
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6.1 Amount and Form. The Company may make a Profit Sharing Contribution to the Plan for each Plan Year in such amount as may be determined by the Board of Directors. The Profit Sharing Contribution will be reduced by:

(a) An amount equal to the Forfeitures attributable to Members' Profit Sharing Accounts that were allocated to Members for the preceding Plan Year; and

(b) The amount which Members elect to receive directly in cash under Section 6.2.

No Profit Sharing Contribution will be made for any Plan Year if such contribution would result in the Plan failing to satisfy the requirements of section 410(b) of the Code. The Profit Sharing Contribution may be made in the form of cash, in the form of other property acceptable to the Trustee, or a combination of both.

6.2 Cash Election by Members. Each Member who is an Employee may elect to receive as a direct cash payment from the Company an amount the Administrative Committee estimates would equal 1/3 of the Profit Sharing Contribution and Forfeitures, if any, otherwise allocable to the Member's Profit Sharing Account for such Plan Year under Section 6.3. A Member must make an election to receive a cash payment by filing the prescribed form with the Administrative Committee by a date determined by the Administrative Committee which is no later than the last day of a Plan Year. No cash payment will be made to a Member who does not make a timely election to receive such payment. A Member will be deemed to have elected to have received a cash payment if the Member ceases to be an employee after the last working day of the Plan Year but before the date such cash payment is made or, alternatively, is receiving no Compensation from the Company or an Affiliated Company for services as an employee on such date.

6.3 Deposit With Trustee; Crediting Accounts. The Profit Sharing Contribution for any Plan Year will be paid to the Trustee on or before the due date (including extensions) for filing the Company's consolidated federal

income tax return for such Plan Year. The Profit Sharing Contribution for a Plan Year will be allocated among Members who are Employees on the last working day of such Plan Year in proportion to each such Member's Compensation for such Plan Year including, in the case of a Member who was a Member for only part of the Plan Year, amounts that would have been Compensation if the Member had been a Member for the full Plan Year. Subject to Section 6.2, a Member's share of the Profit Sharing Contribution will be credited to the Member's Profit Sharing 401(k) Account and/or Profit Sharing Regular Account, as appropriate.

Except as provided in the next following sentence, forfeitures arising under Section 11.1 with respect to any Member's Profit Sharing Account during a Plan Year will be allocated among other Active Members who are Employees on the last working day of such Plan Year as a Profit Sharing Contribution for such Plan Year and, will be credited to such Active Members' Profit Sharing 401(k) Account or Profit Sharing Regular Account, as appropriate. However, in the Plan Year ending in 1994, forfeitures under Section 11.1 as of June 30, 1994, will be allocated among Active Members who are employees on June 30, 1994 (and credited as provided in the immediately preceding sentence), and forfeitures under Section 11.1 with respect to a Member's Profit Sharing Account as of the end of the Plan Year ending in 1994 will be allocated among Active Members who are employees on the last working day of the Plan Year (and credited as provided in the immediately preceding sentence).

6.4 Distribution of Excess Contributions and Deferrals.

(a) Excess Contributions. To the extent that a Member who is a Highly Compensated Employee does not elect to receive a portion of the Profit Sharing Contribution for a Plan Year in cash under Section 6.2 and such portion would constitute an "Excess Contribution" (as defined in section 401(k)(8)(B) of the Code and the Regulations under such Code section which are expressly incorporated by this reference) with respect to such Plan Year, the amount of the Member's Profit Sharing Contribution as may constitute an Excess Contribution will be paid directly to the Member after the end of such Plan Year as if the Member had elected to receive such portion in cash under Section 6.2. Such distribution will be made as soon as administratively practicable, but in no event later than the end of the next Plan Year. The Profit Sharing Contribution and any earnings on such contribution allocated to Highly Compensated Employees having the highest rate of Profit Sharing Contribution (as a percentage of Compensation) will be distributed first under the provisions of the applicable Regulations. Any distribution of the Profit Sharing Contribution and earnings will be limited to the amount that, in the judgement of the Administrative Committee, will result in the Plan satisfying the requirements of section 401(k)(8)(B) of the Code.

(b) Excess Deferral. To the extent that a Member does not elect to receive a portion of the Profit Sharing Contribution otherwise payable directly to the Member during a calendar year under Section 6.2 and such portion would constitute an "Excess Deferral" (as defined in section 402(g)(2)(A) of the Code) with respect to such calendar year, such portion as may constitute an Excess Deferral will be paid directly to the Member as if

the Member had elected to receive such portion in cash under Section 6.2. Such distribution will be made by April 15 of the next calendar year.

SECTION 7 TRUST FUND, INVESTMENTS AND INVESTMENT DIRECTIONS.

7.1 Trust Fund.

(a) In General. All contributions to the Plan will be held by the Trustee for investment and reinvestment as part of the Trust Fund under the Trust Agreement. The Trust Fund will consist of the Funds designated on Appendix C to the Plan. One of such Funds will be designated as the Fund which will hold Member Contributions designated for potential investment in the Stock Fund (the "Holding Account").

(b) Stock Fund. One of the Funds available for investment of the Trust Funds will be the Stock Fund. The Stock Fund will be invested and reinvested in LSAI Stock to the extent LSAI Stock is available for purchase by the Trustee in accordance with Section 7.2, and in cash or interest-bearing short-term debt obligations of any kind (i) pending investment in LSAI Stock or (ii) to the extent required to pay expenses of the Plan or meet anticipated cash distributions to Members and Beneficiaries, as determined and directed by the Administrative Committee. The Stock Fund will consist of all Stock Fund investments held by the Trustee and all cash held by the Trustee which is derived from dividends, interest or other income from Stock Fund investments, contributions to be invested in the Stock Fund and proceeds from the sale or redemption of Stock Fund investments.

7.2 Investment of Contributions. A Member's share of any Profit Sharing Contribution and Forfeitures under Section 5.3 allocated to his or her Profit Sharing 401(k) Account and Profit Sharing Regular Account and all Member Contributions will be deposited in the Fund designated by the Member for such investment in 1% increments (provided, however that these allocations will be in 20% increments until the end of the Blackout Period commencing on August 1, 1994) of such contribution as directed by the Member in accordance with procedures established by the Administrative Committee. A Member's investment directions will remain in effect until changed by the Member. If the Member fails to file any investment directions, his or her share of any Profit Sharing Contribution allocated to his or her Profit Sharing 401(k) Account and Profit Sharing Regular Account will be deposited in the Fund designated in Appendix C for investment of contributions for which no investment direction has been received. All Matching Contributions and Forfeitures under Section 6.3, if any, and Nonelective Contributions will be deposited in the Stock Fund.

Generally, twice each Plan Year, the Investment Committee will obtain an independent appraisal of the Fair Market Value of LSAI Stock. The Investment Committee will notify the Trustee of such Fair Market Value promptly after completion of the appraisal.

(a) If Fair Market Value of LSAI Stock Exceeds Adequate

Consideration. If the Trustee determines that the Fair Market Value of LSAI Stock exceeds "Adequate Consideration" for such LSAI Stock within the meaning of section 3(18) of the Act, all Member Contributions that are held in the Holding Account and any earnings on such contributions will be transferred to an alternative Fund as designated by the Member, and no Matching Contribution will be made with respect to such Member Contributions unless the Investment Committee effects a "Suspension" as described below.

The Investment Committee will effect a Suspension, in its sole discretion, by determining that the Member Contributions held in the Holding Account and earnings on such contributions will remain in the Holding Account rather than be transferred to another Fund. If the Investment Committee effects a Suspension, the Administrative Committee, in such manner and under such procedures as it deems appropriate, will promptly provide Members whose Member Contributions and earnings are subject to the Suspension the opportunity to elect whether such amounts will remain held in the Holding Account. If the Member fails to file an election on the prescribed form by the date determined by the Administrative Committee, such amounts will remain held in the Holding Account subject to the remaining provisions of the Plan. If a Member elects to have such amounts transferred to another Fund, such amounts will be transferred to such other Fund.

(b) If Fair Market Value of LSAI Stock Does Not Exceed Adequate Consideration. Conversely, if the Trustee determines that the Fair Market Value of LSAI Stock does not exceed Adequate Consideration for such stock, the Administrative Committee will notify Members of such Fair Market Value. Each Member who has Member Contributions held in the Holding Account will have the opportunity to elect to have such Member Contributions and any earnings on such contributions transferred to any Fund in 1% increments of such Member Contributions and earnings. If a Member files such an election in the prescribed manner by the date determined by the Administrative Committee, the Member's Member Contributions that are invested in the Holding Account and any earnings on such contributions will be transferred to the Fund or Funds elected by the Member. If a Member fails to file such an election by the date determined by the Administrative Committee, the Member's Member Contributions that are invested in the Holding Account and any earnings on such contributions automatically will be transferred to the Stock Fund. At the time when Member Contributions and earnings are transferred to the Stock Fund, the Company will make a Matching Contribution under Section 5.1 unless the Board of Directors determines that no Matching Contribution will be made.

The Trustee will seek to acquire LSAI Stock for the Stock Fund at a price no greater than Fair Market Value to the extent that any cash Matching Contributions and Forfeitures and Nonelective Contributions deposited in the Stock Fund and Member Contributions transferred to Stock Fund exceed the cash requirements of the Stock Fund as determined by the Administrative Committee. The Trustee may acquire LSAI Stock from a "Party-in-Interest" (as defined in section 3(14) of the Act) or a "Disqualified Person" (as defined in section 4975(e)(2) of the Code) for no more than Adequate Consideration in accordance with the requirements of section 408(e) of the Act.

7.3 Reinvestment of Accounts. A Member may elect to change the investment of his or her Accounts under the applicable paragraph (a) or (b), subject to the limitations of paragraphs (c) and (d).

(a) General Rules Regarding Reinvestment of Accounts. On any business day, a Member may elect to transfer amounts invested in any Fund other than the Stock Fund among such Funds in 1% increments of the balance credited to the Member's Accounts invested in such Funds as of such day. A Member may make such an election in the manner prescribed by the Administrative Committee.

(b) Rules Regarding Reinvestment of Accounts by Qualified Members. As of any business day, a Qualified Member (i.e., any Member who has reached age 63, or attained age 53 and completed at least 13 Years of Service) may elect to have amounts credited to his or her Accounts invested in the Stock Fund liquidated and the net proceeds transferred to any other Fund in 1% increments by filing the notice prescribed by the Administrative Committee. A Qualified Member may make only 1 such election in any Plan Year.

(c) Certain Limitations on Reinvestments by Insiders. A Qualified Member who is an Insider may reinvest amounts credited to his or her Accounts invested in the Stock Fund only by making an irrevocable election to reinvest within the period beginning on the 3rd business day following the date for the release of the financial data specified in paragraph (e)(1)(ii) of Rule 16b-3 under the Securities Exchange Act of 1934 and ending on the 12th business day following such date.

(d) Certain Limitations on Reinvestments Due to Liquidity of the Trust Fund. Subject to section 401(a)(28)(B) of the Code, the Investment Committee may determine that it is not feasible for the Trustee to prudently liquidate and transfer the necessary amount from one Fund to another in accordance with Members' reinvestment elections. If the Investment Committee so determines, it will advise the Administrative Committee which will direct that such steps be taken as it considers necessary or desirable for the protection of Members' Accounts, including a pro rata reduction in the amount transferred with respect to each Member, or the scheduling of transfers over a period consistent with prudent liquidation.

7.4 Investment by Alternate Payees. The Administrative Committee will determine, in its sole and absolute discretion, if an Alternate Payee is entitled to a portion of a Member's Accounts under the terms of a Qualified Domestic Relations Order. If the Administrative Committee so determines, it will segregate the Alternate Payee's portion of the Member's Accounts into a separate Matching Account, Nonelective Account, Post-Tax Account, Pre-Tax Account, Profit Sharing Account and Rollover Account as appropriate. The Alternate Payee will only be entitled to direct the investment of his or her Accounts under the provisions of this Section 7 in the same manner, at the same times, and subject to the same conditions as Members in the Plan.

7.5 Allocation of Voting Rights. Except as specifically authorized in

this Section 7.5, the Trustee will vote all shares of LSAI Stock held in the Trust Fund at the direction of the Investment Committee.

If the stockholders of Levi Strauss Associates Inc. are entitled to vote with respect to any of the following matters, then only in connection with such matters, the Trustee will vote the shares of LSAI Stock held in the Trust Fund in accordance with the Members' directions to the Trustee as provided in Section 7.6:

(a) Any merger or consolidation of Levi Strauss Associates Inc. with any other corporation, unless the stockholders of Levi Strauss Associates Inc. immediately before the merger or consolidation would own (immediately after the merger or consolidation) equity securities of the surviving corporation or acquiring corporation or a parent entity possessing more than 5/6 of the voting power of the surviving corporation or acquiring corporation or parent entity;

(b) Any plan of complete liquidation of Levi Strauss Associates Inc.;

(c) Any dissolution of Levi Strauss Associates Inc.; or

(d) Any plan or agreement for the sale or disposition by Levi Strauss Associates Inc. of all or substantially all of its assets, unless the stockholders of Levi Strauss Associates Inc. immediately before the sale or disposition would own (immediately after the sale or disposition) equity securities of the acquiring entity or a parent entity possessing more than 5/6 of the voting power of the acquiring entity or parent entity.

7.6 Exercise of Voting Rights. When Members are entitled to direct the voting of LSAI Stock under Section 7.5, each Member will be entitled to direct the Trustee with respect to the voting of all whole and fractional shares of LSAI Stock which are allocated to his or her Accounts (or represented by units allocated to such Accounts) as of the last Valuation Date coinciding with or preceding the applicable record date. The Administrative Committee will conclusively determine the number of the shares of LSAI Stock that are subject to each Member's voting instructions and will advise the Trustee accordingly.

Before any annual or special meeting at which LSAI Stock will be voted on the matters described in Section 7.5, the Board of Directors will cause to be delivered to each Member the proxy statement and any related materials prepared for holders of LSAI Stock, a request for written voting instructions, and the voting instructions form prescribed by the Board of Directors for this purpose. Each Member who wishes to exercise his or her voting rights must complete and return such form to the Trustee before the date prescribed by the Board of Directors. Once received by the Trustee, a Member's voting instructions may be revoked, subject to such conditions as the Trustee may impose.

Any shares of LSAI Stock with respect to which the Trustee receives

timely, written voting instructions from Members will be voted by the Trustee in accordance with such instructions on the matters described in Section 7.5. The Trustee also will determine the ratio of affirmative votes, negative votes and abstentions with respect to each matter described in Section 7.5 for which it has received timely voting instructions from Members. The Trustee will then vote on such matters all shares of LSAI Stock allocated to Members' Accounts with respect to which it has not received timely voting instructions in accordance with the ratios so determined. If the Trustee determines that voting such shares in accordance with such ratios would violate its fiduciary responsibilities under the Act, it will vote such shares of stock in accordance with such fiduciary requirements. The Trustee will aggregate any fractional shares and, after rounding down to the next lower integer if the total is not a whole number, will vote an equivalent number of whole shares of LSAI Stock.

For purposes of this Section 7.6, each Member will be a "Named Fiduciary" as defined under section 402(a) of the Act with respect to the shares of LSAI Stock allocated to his or her Accounts.

7.7 Other Instructions by Members.

(a) Sale to Levi Strauss Associates Inc. of LSAI Stock. Except as provided in this Section 7.7 and in the Registration Rights Agreement, the Trustee may sell LSAI Stock held in the Trust Fund only to Levi Strauss Associates Inc.

(b) Acquisition Offers. If any person or group makes an offer to acquire all or part of the outstanding LSAI Stock ("Acquisition Offer"), the Trustee will tender the LSAI Stock held in the Trust Fund to such person or group only to the extent that it has been directed to do so by Members. "Acquisition Offers" will not include:

(i) Any offer to purchase LSAI Stock by Levi Strauss Associates Inc.;

(ii) Any offer to purchase less than 5% of all of the outstanding shares of common stock of Levi Strauss Associates Inc., including LSAI Stock held in the Trust Fund; or

(iii) Any public offering of LSAI Stock under the Registration Rights Agreement.

In the event of an Acquisition Offer, each Member will be entitled to instruct the Trustee confidentially (on a form to be prescribed by the Administrative Committee) with respect to the disposition of those shares of LSAI Stock which then would be subject to the Member's voting instructions under Section 7.6. If the Trustee receives such an instruction by a date determined by the Trustee and communicated to Members, the Trustee will tender such LSAI Stock in accordance with such instruction. Any LSAI Stock as to which the Trustee does not receive instructions within such period will not be tendered by the Trustee.

The Trustee will obtain and distribute to each Member all appropriate materials pertaining to the Acquisition Offer, including any statement of the position of Levi Strauss Associates Inc. with respect to such offer issued under Regulation 14e-2 promulgated under the Securities Exchange Act of 1934, as soon as practicable after such materials are issued. If Levi Strauss Associates Inc. is not required to or fails to issue such statement within 5 business days after the commencement of such offer, the Trustee will distribute such materials to each Member without such statement by Levi Strauss Associates Inc. and will separately distribute such statement, if any, as soon as practicable after it is issued. Levi Strauss Associates Inc. may require verification of the Trustee's compliance with the Members' confidential voting instructions by an independent auditor selected by Levi Strauss Associates Inc.

For purposes of this Section 7.7(b), each Member will be a "Named Fiduciary" as defined under section 402(a) of the Act with respect to the shares of LSAI Stock allocated to his or her Accounts.

(c) Acquisitions by Levi Strauss Associates Inc. If Levi Strauss Associates Inc. makes an offer to purchase LSAI Stock the Investment Committee will determine whether, and to what extent, the Plan will sell LSAI Stock to Levi Strauss Associates Inc. in connection with such offer.

7.8 Participant Directed Accounts. It is intended that transactions by members pursuant to this Section 7 satisfy the conditions set forth in Department of Labor Regulation Section 2550.404c-1, except to the extent that such transactions are not covered by such regulation.

SECTION 8 VALUATIONS AND STATEMENTS.

8.1 Valuation of Accounts. As of each Valuation Date, the Administrative Committee will value each Member's Accounts at fair market value and will adjust such Accounts to reflect the Member's share of any realized or unrealized investment income, gains, losses and expenses of the Fund or Funds in which the Accounts were invested which have accrued since the preceding Valuation Date. For this and all other purposes under the Plan, LSAI Stock will be taken into account at its Fair Market Value.

8.2 Statements. The Administrative Committee will prepare and distribute a statement to each Member at least annually. Such statement will reflect the status of the Member's Accounts (including the fair market value thereof) and will contain such other information as the Administrative Committee may prescribe.

SECTION 9 WITHDRAWALS.

9.1 Withdrawals from Post-Tax Accounts. A Member may withdraw all or part (in 1% increments) of the balance credited to his or her Post-Tax

Account invested in any Fund (other than the Stock Fund) or combination of such Funds. In addition, unless the withdrawal is for:

(a) The purchase of the Member's primary residence; or

(b) The payment of expenses relating to the post-secondary education of the Member or the Member's spouse or children, including expenses for tuition fees, room, board or books,

the Member will be suspended from making Member Contributions for at least 3 fiscal months following any such withdrawal. The Member may resume making Member Contributions following the suspension period as of the first pay period commencing in any Quarter by filing the prescribed form with the Administrative Committee in advance.

9.2 Withdrawals from Rollover Accounts. A Member may withdraw all or part (in 1% increments) of the balance credited to his or her Rollover Account invested in any Fund or combination of such Funds. The Member will not be suspended from making Member Contributions for making any withdrawal under this Section 9.2.

9.3 Hardship Withdrawals. A Member may make withdrawals from his or her Accounts for reasons of hardship as specified in paragraphs (a), (b), and (c) below.

(a) Post-Tax Account, Rollover Account, Pre-Tax Account and Profit Sharing 401(k) Account. A Member may withdraw all or part of the Member's Post-Tax Account, Rollover Account, Pre-Tax Account (excluding earnings credited to such Account after November 27, 1988) and Profit Sharing 401(k) Account (excluding earnings credited to such Account after November 27, 1988) invested in any Fund (other than the Stock Fund) or any combination of such Funds (excluding contributions made with respect to any period during which the Member was a resident of the United Kingdom), if the Member becomes Totally and Permanently Disabled or if the amount of the withdrawal is needed to meet an "Immediate and Heavy Financial Need" of the Member arising solely from one or more of the following:

(i) Expenses for extraordinary and unreimbursed medical or hospital expenses incurred by the Member, the Member's spouse, any dependent of the Member or a nondependent parent or child of the Member;

(ii) Amounts necessary for the Member, the Member's spouse, any dependent of the Member, or a nondependent parent or child of the Member to obtain medical or hospital care;

(iii) The payment of tuition and related educational expenses for the next 12 months of post-secondary education for the Member, the Member's spouse or child, or any dependent of the Member;

(iv) The payment of expenses incurred by the Member in purchasing his or her primary residence;

(v) The need to prevent the eviction of the Member from his or her primary residence or foreclosure on the mortgage of the Member's primary residence;

(vi) The payment of funeral expenses for a family member or relative of the Member;

(vii) The loss of income resulting from an abbreviated work schedule required by the Member's health, the loss of employment by the Member's working spouse, garnishment of the Member's wages or material reduction in the compensation of the Member or the Member's working spouse from such Member's or spouse's primary employer; or

(viii) The loss of income, real property or personal property as a result of any natural disaster as specified on Appendix D to the Plan by any individual or entity empowered to amend the Plan.

(b) Matching Account and Profit Sharing Regular Account. In addition, a Member may withdraw:

(i) All or part of the Member's Matching Account and the Vested Interest in his or her Profit Sharing Regular Account (excluding contributions made with respect to any period during which the Member was a resident of the United Kingdom) invested in any Fund (other than the Stock Fund) or any combination of such Funds, if the amount of the withdrawal is needed to meet an Immediate and Heavy Financial Need of the Member due to:

(A) Funeral Expenses for a family member or relative of the Member;

(B) An abbreviated work schedule required by the Member's health, a loss of income due to health, the loss of employment by the Member's working spouse or garnishment of the Member's wages; or

(C) The payment of extraordinary and unreimbursed medical or hospital expenses incurred by a nondependent parent or child of the Member; and

(ii) All or part of the Member's Vested Interest in his or her Profit Sharing Regular Account (excluding any Profit Sharing Contributions made with respect to any period during which the Member was a resident of the United Kingdom) invested in any Fund (other than the Stock Fund) or any combination of such Funds, if the amount of the withdrawal is needed to meet Immediate and Heavy Financial Needs of the Member arising from:

(A) Foreclosure on the mortgage of the primary residence of the Member; or

(B) The loss of income, real property or personal property as a result of any other natural disaster as specified on Appendix D to the Plan by any individual or entity empowered to amend the Plan.

(c) General Limits on Hardship Withdrawals. A Member will not be suspended from making Member Contributions for making any such withdrawal. An amount will be considered necessary to satisfy the Member's Immediate and Heavy Financial Need only if the Administrative Committee determines that the need cannot be relieved by any of the following:

(i) Reimbursement or compensation by insurance or otherwise;

(ii) Reasonable liquidation of the Member's assets, including assets of the Member's spouse and minor children that are reasonably available to the Member, to the extent such liquidation would not itself cause an immediate and heavy financial need;

(iii) Cessation of Member Contributions; or

(iv) A loan from the Member's Accounts under Section 10.1 or a loan from a commercial source on reasonable commercial terms.

Unless the Member requests otherwise, the amount of the Member's hardship withdrawal will include the amount of any federal, state or local taxes or any penalties reasonably anticipated to result from the withdrawal. Such sums will be withheld at the time such hardship withdrawal is distributed to the Member.

9.4 Withdrawals From Stock Fund. The portion of a Member's Accounts invested in the Stock Fund (except for amounts credited to the Member's Nonelective Account) may be withdrawn under Section 9.1 or 9.3 upon receipt of the prescribed notice by the Administrative Committee (except that no such withdrawal will be permitted on and from the date the Company is advised of the new value for LSAI Stock under Section 7 and until such new value is utilized for the calculation of the value of the Stock Funds at the time when Member Contributions and Matching Contributions are invested in the Stock Fund), but only to the extent the Administrative Committee determines that there is sufficient cash available in the Stock Fund to permit such withdrawal.

9.5 Payment of Withdrawals. A Member may request a withdrawal by providing the prescribed notice with the Administrative Committee. A withdrawal will be paid to the Member in cash as soon as reasonably practicable after the Administrative Committee receives the prescribed notice and determines that the withdrawal request meets the requirements of Section 9.1 (regarding withdrawals from Post-Tax Accounts), Section 9.2 (regarding withdrawals from Rollover Accounts), Section 9.3 (regarding hardship

withdrawals) or Section 9.4 (regarding withdrawals from the Stock Fund), as applicable.

9.6 Valuation Date. The value of a Member's Accounts will be determined as of the Valuation Date which occurs on or most recently prior to the effective date of the withdrawal.

9.7 Source of Withdrawals. A Member's Accounts, to the extent available with respect to such Hardship withdrawal, will be liquidated to the extent necessary to fund a hardship withdrawal under Section 9.3 in the following order of priority:

(a) Post Tax-Account;

(b) Rollover Account;

(c) Pre-Tax Account;

(d) Profit Sharing 401(k) Account; and

(e) Profit Sharing Regular Account and Matching Account.

Except as provided above, within any Account, amounts invested in each Fund will be liquidated in order from the lowest risk Fund to the highest risk Fund. The determination of the relative risk of each Fund shall be made by the Investment Committee, in its sole discretion, from time to time.

If the Investment Committee determines that it is not feasible for the Trustee to prudently liquidate the necessary amount invested in any Fund in accordance with Members' withdrawal requests, the Investment Committee will so advise the Administrative Committee which will direct that such steps be taken as it considers necessary or desirable for the protection of Members' Accounts, including the reordering of liquidation priorities or a pro rata reduction in the amount of each Member's withdrawal.

9.8 Limitation on Withdrawals by Insiders. A Member who is an Insider may withdraw as of any date amounts credited to his Accounts invested in the Stock Fund only by making an irrevocable election to make such a withdrawal at least 6 months before the last day on which a Member other than an Insider must submit an election to make a withdrawal as of such date.

9.9 Additional Limitations on Withdrawals. In no event may a Member withdraw any amount under this Section 9 which at the time of the intended withdrawal funds a loan under Section 10.

9.10 Withdrawals by Alternate Payees. An Alternate Payee who is entitled to a portion of a Member's Accounts under the terms of a Qualified Domestic Relations Order may withdraw amounts from his or her Accounts under this Section 9 in the same manner, at the same times and subject to the same conditions as Members in the Plan.

SECTION 10 LOANS.

10.1 Amount of Loans.

(a) Profit Sharing Regular Account. A Member may borrow up to 100% of the Member's Vested Interest in his or her Profit Sharing Regular Account to the extent that such amount may be used to secure the promissory note with respect to such loan under Section 10.2(a). Such a loan will be permitted only if the Administrative Committee determines that:

(i) The proceeds of the loan will be used to acquire, construct or rehabilitate the Member's primary residence, or to refinance any loan or loans previously made to the Member by a third party for any of these purposes;

(ii) The loan is required by the Member for the payment of expenses relating to the post-secondary education of the Member or the Member's spouse or children, including expenses for tuition, fees, room, board or books; or

(iii) The loan is required by the Member due to the loss of income, real property or personal property as a result of any natural disaster as specified on Appendix D to the Plan by any individual or entity empowered to amend the Plan.

(b) Profit Sharing 401(k) Account. A Member may borrow up to 100% of the balance credited to his or her Profit Sharing 401(k) Account for expenses relating to the post-secondary education of the Member or the Member's spouse or children, including expenses for tuition, fees, room, board or books.

(c) Post-Tax, Pre-Tax, Matching and Rollover Accounts.

(i) Effective on and after a date determined by the Administrative Committee and announced to Members, a Member may borrow up to 100% of the balance credited to his or her Matching Account and/or Pre-Tax Account. A loan from the Member's Pre-Tax Account will be permitted only if the Administrative Committee determines that the Member is Totally and Permanently Disabled or that the proceeds will be used to satisfy a hardship described in Section 9.3(a)(i) through Section 9.3(a)(viii).

(ii) A Member may borrow up to 100% of the balance credited to his or her Post-Tax Account and/or Rollover Account. Such loans will be permitted for any reason, but will be subject to Section 10.1(d) (regarding the maximum loan amount), Section 10.2 (regarding loan terms), Section 10.3 (regarding source of loans) and Section 10.4 (regarding events of default), in addition to other applicable provisions of the Plan. In no case will a Member be permitted to borrow any portion of such Accounts invested in the Stock Fund or the Holding

Account.

(d) Additional Limitations. No loan will be permitted from the portion of any Account invested in the Stock Fund. No loan will be granted to the extent it would cause the aggregate balance of all loans a Member has outstanding under the Plan to exceed the lesser of:

(i) $50,000, less the amount by which such aggregate balance has been reduced by repayments of principal during the one-year period ending on the day before the new loan is made; or

(ii) 50% of the Member's Vested Interest in all of the Member's Accounts.

The amount of any loan must be a multiple of $100 and may not be less than $1,000. Only 4 loans to a Member may be outstanding at any time (no more than 2 of which may be for the acquisition, construction or rehabilitation of the Member's primary residence, or to refinance any loan or loans previously made by a third party for these purposes).

(e) Vested Interest and Value of Accounts. The Member's Vested Interest in an Account and the value of the balance credited to such Account will be determined as of the latest Valuation Date preceding the date the loan application is submitted for which information is then available.

10.2 Terms of Loans. All loans will be on such terms and conditions as the Administrative Committee may determine, and must satisfy the following requirements:

(a) Adequate Security. All loans will be made under a promissory note secured by:

(i) The residence of the Member, in the case of a loan under Section 10.1(a)(i) (regarding the acquisition, construction or rehabilitation of the Member's primary residence);

(ii) The residence of the Member to the extent agreed upon by the Member and the Administrative Committee, in the case of a loan for expenses for the post-secondary education of the Member or the Member's spouse or children which is made from the Member's Profit Sharing Regular Account under 10.1(a)(ii), or the Member's Post-Tax Account or the Member's Rollover Account under Section 10.1(c)(ii); and

(iii) The Account or Accounts that funded the loan to the extent that such Account or Accounts fund the loan.

No loans will be secured by the Member's Account or Accounts in an amount greater than 50% of the Vested Interest and value of the balance of the Account of such Member at the time such loan was made.

(b) Substantially Level Payment. All loans will be subject to a

substantially level payment schedule, as determined by the Administrative Committee, with payments to be made at least quarterly and whenever possible to be made through semi-monthly payroll deductions. If loan payments are not made for a period of up to 365 days due to the Member's temporary absence from active work, such missed payments may be made:

(i) In a single sum after the Member returns to active work;

(ii) Ratably over the remaining period of the loan;

(iii) In a single sum together with the final payment provided for under the note; or

(iv) In another manner mutually agreed upon by the Member and the Administrative Committee.

However, loan repayments by a Member who has been absent temporarily must recommence by the end of the one-year period following the date the Member's temporary absence began or, if earlier, upon the first paycheck after the Member's return to active work.

(c) Reasonable Rate of Interest. All loans will bear interest at a fixed rate determined by the Administrative Committee based upon the prime interest rate in effect at a commercial bank as of the first day of the month immediately preceding the date on which the loan application is received plus 1%, unless such rate would not be "reasonable" as defined by section 408(b)(3) of the Act, in which case a "reasonable" rate of interest will be used.

(d) Repayment in Full. All loans will provide for repayment in full, whether from the Member's Accounts or otherwise, on or before the earlier of:

(i) 5 years after the date the loan is made (15 years after the date the loan is made if the loan is used to acquire the Member's principal residence); or

(ii) The date the Member's Plan Benefit is distributed under Section 11.

10.3 Source of Loans; Application of Loan Payments. As soon as administratively practical following the approval of a loan by the Administrative Committee, the amount of the loan will be distributed to the Member from the vested portion of the Member's Accounts that are being used to fund the loan, in the following order of priority:

(a) Post-Tax Account;

(b) Rollover Account;

(c) Pre-Tax Account;

(d) Profit Sharing 401(k) Account;

(e) Profit Sharing Regular Account; and

(f) Matching Account.

If less than the entire amount of any Account is required to fund the loan, amounts invested in the Funds will be liquidated to fund the loan in order from the lowest risk Fund to the highest risk Fund. The determination of the relative risk of each Fund shall be made by the Investment Committee, in its sole discretion, from time to time.

If the Investment Committee determines that it is not feasible for the Trustee to prudently liquidate the necessary amount invested in any Fund in accordance with Members' loan requests, the Investment Committee will so advise the Administrative Committee. The Administrative Committee will direct that such steps be taken as it considers necessary or desirable for the protection of Members' Accounts, including the reordering of liquidation priorities or a pro rata reduction in the amount of each Member's loan. The promissory note executed by the Member will be reflected in reporting the balance of the Member's Account or Accounts that funded the loan. Principal and interest payments will be credited to the Member's Account or Accounts in proportion to the extent that such Account or Accounts funded the loan. Such principal and interest payments shall be invested in Funds in proportion to the extent that the funds loaned to the Member were invested in such Funds at the time such loan was made to the Member. [I understand that the point addressed in the last sentence remains open to discussion.]

10.4 Default. If the Administrative Committee determines that a Member's loan obligation is in default, it will take such actions as it deems necessary or appropriate to cause the Plan to realize on its security for the loan. Those actions may include, without limitation, a demand for payment in full, and a distribution of the Member's promissory note to the Member, which will be deemed an involuntary withdrawal from the Member's Accounts in an amount equal to the principal balance of the loan, whether or not the withdrawal would otherwise be permitted on a voluntary basis. No distribution of a Member's promissory note and involuntary withdrawal will occur with respect to a loan from the Member's Pre-Tax Contributions Account or Nonelective Account before the earliest of the events specified in Section 18.6. Any loss caused by the nonpayment or other default on a Member's loan obligation will be borne solely by the Member's Accounts. A Member who is temporarily absent from work will not be considered to be in default for the period which is the lesser of (i) 365 days from the date the Member begins the temporary leave of absence on (ii) the date the Member is no longer considered to be temporarily absent from work.

SECTION 11 PLAN BENEFITS.
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11.1 Vesting in Accounts. A Member's Vested Interest in his or her Accounts shall be 100% at all times.

11.2 Amount of Plan Benefit. If a Member ceases to be an Employee for any reason or becomes Totally and Permanently Disabled while an Employee, the Member (or, in the event of a Member's death, the Member's Beneficiary) will be entitled to receive a Plan Benefit equal to the Member's Vested Interest in his or her Accounts.

11.3 Valuation of Plan Benefit. The value of the Vested Interest in a Member's Accounts to be distributed as a Plan Benefit will be determined as of the Valuation Date which occur on or most recently prior to immediately preceding the later of the date of termination of the Member's employment or the date on which the distribution is requested.

11.4 Rehire Before Five One-Year Breaks in Service. If a Member who suffered a Forfeiture of his or her Profit Sharing Regular Account before the Effective Date for reasons other than Misconduct, or suffered Forfeiture of amounts accumulated under the ESP or PSP, is rehired as an Employee before the date on which the Member incurs a 60 consecutive month Break in Service, an amount equal to the amount which became a Forfeiture will be restored to the Member's Profit Sharing Account or Matching Account, as appropriate. In the case of a Member who ceased to be an Employee and suffered a Forfeiture due to the Employee's pregnancy, the birth of the Employee's child, the placement of a child with the Employee in connection with the adoption of the child by the Employee or the care of the Employee's child immediately following the child's birth or adoption, "84" will be substituted for "60" in the preceding sentence. The first source for amounts restored under this Section 11.4 will be recent Forfeitures of other Members which have not yet been reallocated under Section 5.3 or Section 6.1. To the extent such Forfeitures are insufficient, the Participating Company that employed the Member will make a special contribution in the amount required.

11.5 Form of Payment. Unless a Member (or Beneficiary) elects otherwise, the Member's Plan Benefit will be paid in the form of a lump sum in cash. If the value of the Member's Plan Benefit exceeds $3,500, the Member (or Beneficiary) may elect to have all or a portion of such Plan Benefit paid in one of the following forms by filing the prescribed form with the Administrative Committee:

(a) Installments. The Member (or Beneficiary) may elect to have the Member's Plan Benefit paid in the form of monthly or annual installments, as determined under Section 11.5(a)(i) or Section 11.5(a)(ii) below:

(i) Monthly Installments. The Member's Plan Benefit will be paid in monthly installments over a period not exceeding the reasonable life expectancy of the Member (or Beneficiary), as determined under the mortality table specified in Section 25 of the Revised Home Office Pension Plan of Levi Strauss Associates Inc. The amount of each monthly installment will be determined by dividing the value of the portion of the Member's Plan Benefit remaining in the Trust Fund by the

number of installments elected less the number of installments already paid.

(ii) Annual or Monthly Installments. The Member's Plan Benefit will be paid in annual installments over the life expectancy of the Member (or Beneficiary) or the joint life expectancy of the Member and the Member's Beneficiary, where the amount of each annual installment is determined by dividing the value of the Member's Plan Benefit remaining in the Trust Fund by the applicable life expectancy. Alternatively, such payment may be made in monthly installments not exceeding the life expectancy of the Member (or Beneficiary) or the joint life expectancy of the Member and the Member's Beneficiary at the request of the Member (or Beneficiary). The applicable life expectancy for purposes of this Section 11.5(a)(ii) will be determined annually in a manner consistent with section 401(a)(9)(D) of the Code.

(b) Annuity Contract. The Member (or Beneficiary) may elect to have the Member's Plan Benefit paid in the form of a single premium annuity contract purchased from an insurer. The normal form of annuity contract for a single Member will be a life annuity contract which will provide the Member with a monthly income for his or her life. The normal form of annuity contract for a married Member will be a joint and survivor annuity contract which will provide the Member with a monthly income for his or her life, and upon his or her death, a monthly income to his or her spouse, in an amount not less than 50% nor more than 100% of the amount that was payable to the Member. If the Member dies before the Annuity Starting Date, his or her spouse will be entitled to a survivor's annuity contract which will provide the spouse with a monthly income for his or her life equal to 50% of the amount that would have been paid to the Member if his or her annuity payments had begun on the date of the Member's death.

If the Member elects that only a portion of his Plan Benefit be paid in the form of installments or an annuity, then the remainder of such benefit will be paid in a lump sum.

A married Member may elect another form of annuity or may designate another joint annuitant with his or her spouse's consent. The spouse's consent must:

(i) Be in writing;

(ii) Acknowledge the effect of the alternate form of annuity or specifically identify the alternate joint annuitant;

(iii) Be witnessed by a notary public; and

(iv) Be given within 90 days before the Annuity Starting Date.

The spouse's consent to receive an alternate form of annuity or the designation of a Beneficiary will not be binding on a subsequent spouse if

the Member remarries. The Member may revoke such an election at any time before the Annuity Starting Date in which case the Member's benefit will be paid in the form of a joint and survivor annuity to the Member and his or her spouse, unless the Member elects an alternate form of benefit or Beneficiary designation with his or her spouse's consent. If benefits are payable to a joint annuitant other than the Member's spouse, the present value of the benefits payable to the joint annuitant will not exceed 50% of the present value of the benefits payable to the Member (determined as of the Annuity Starting Date).

The Administrative Committee will provide to each Member who elects to receive an annuity a written explanation in nontechnical language containing the following information:

(i) A description of the terms and conditions of the joint and survivor annuity and the single life annuity;

(ii) A statement that the Member may elect during the Election Period described below to waive the joint and survivor annuity or life annuity by electing any optional form of benefit provided under the Plan;

(iii) A statement that the Member may revoke the waiver of the joint and survivor annuity or life annuity during the Election Period and the effect of such revocation;

(iv) Notice of the requirement that the Member's spouse must consent to the waiver of the joint and survivor annuity and election of any optional form of benefit;

(v) A general explanation of the financial effect of election of each of the optional forms of benefit provided under the Plan; and

(vi) A statement that the Member may request an explanation of the specific financial effect, in terms of monthly payments, on the Member's Plan Benefit of making an election.

The Election Period will begin 90 days before the Annuity Starting Date and end on the Annuity Starting Date, unless the Member requests additional information from the Administrative Committee, in which case it will end no later than 90 days after the Member receives such additional information. During the Election Period any election not to take the joint and survivor annuity or life annuity will be revocable. Upon the expiration of the Election Period, any election made will be irrevocable and the Member will not be required nor eligible to make an election if no election had been made.

(c) Direct Transfer. Effective January 1, 1993, a Member (or eligible Beneficiary) may elect to have the Member's Plan Benefit paid by a direct transfer to a plan qualified under section 401(a) of the Code which

accepts direct transfer contributions, an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), or an annuity plan described in section 403(a) of the Code. The Member (or Beneficiary) may elect to have his or her Plan Benefit paid in the form of a direct transfer at any time after the Administrative Committee provides the Member with notice of the direct transfer option as required by section 402(f) of the Code (the "Section 402(f) Notice").

11.6 Time of Payment. A Member's Plan Benefit will be paid in full or will begin to be paid on the Member's Required Beginning Date. However, subject to the rules stated in paragraphs (a), (b), and (c) below, a Member may elect to receive his or her Plan Benefit earlier, on or as soon as reasonably practicable after the Member ceases to be an Employee.

The following rules will govern benefit payments from the Plan.

(a) Mandatory Cashout of Benefits Less than $3,500. Except as provided in Section 11.6(b), a Member's Plan Benefit will be paid in a lump sum cash payment as soon as reasonably practicable after the Member ceases to be an Employee if the value of his or her Plan Benefit does not exceed $3,500. Alternatively, effective January 1, 1993, a Member may elect to have his or her Plan Benefit paid by a direct transfer to a plan qualified under section 401(a) of the Code which accepts direct transfer contributions, an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), or an annuity plan described in section 403(a) of the Code. The Member may elect to have his or her Plan Benefit paid in the form of a direct transfer at any time after the Administrative Committee provides the Member with notice of the direct transfer option as required by section 402(f) of the Code (the "Section 402(f) Notice").

(b) Insufficient Cash in the Stock Fund. If the Administrative Committee determines that the cash available in the Stock Fund is insufficient for the payment of a Member's Plan Benefit, the payment will be delayed until the Administrative Committee determines that sufficient cash is available. Except as provided in Section 11.6(c) (regarding Code section 401(a)(9) compliance) and in Section 11.8 (regarding limitations on the time of distribution), no benefit payment delayed under the Plan will be made later than:

(i) 1 year after the last day of the Plan Year in which the Member ceases to be an Employee by reason of reaching Normal Retirement Age, Total and Permanent Disability or death;

(ii) 5 years after the last day of the Plan Year in which the Member ceases to be an Employee for any other reason; or

(iii) The Member's Required Beginning Date.

If a payment with respect to an Account invested in the Stock Fund has

been delayed to the Member's Required Beginning Date and the Administrative Committee determines that the cash in the Stock Fund is insufficient to make such payment, LSAI Stock will be paid to the Member or Beneficiary unless the Company redeems sufficient shares of LSAI Stock at Fair Market Value to make such payment in cash.

(c) Section 401(a)(9) Compliance. All benefit payments under the Plan will be made in accordance with the minimum distribution and incidental benefit requirements of section 401(a)(9) of the Code, which require generally that certain minimum amounts be paid to the Member each calendar year, beginning with the calendar year in which the Member's Required Beginning Date occurs, in order to assure that certain minimum amounts be paid to the Member and that only "incidental" benefits be provided to the Member's Beneficiaries. Furthermore, any payment option required by section 401(a)(9) of the Code will override and supersede any inconsistent payment provision provided for in the Plan.

11.7 Death Benefit. If a Member dies before the payment of his or her Plan Benefit has begun, then the Member's Beneficiary will be entitled to receive the Member's Plan Benefit as soon as reasonably practicable after the Beneficiary files a claim with the Administrative Committee on the prescribed form. If the Beneficiary fails to file the prescribed claim form, the Member's Plan Benefit will be paid in full to the Beneficiary no later than the last day of the calendar year which is 5 years after the Member's death. If the Member dies after installment payments have begun under Section 11.5(a), the remainder of the Member's Plan Benefit will be paid to the Member's Beneficiary in a single lump sum as soon as reasonably practicable after the Member's death.

11.8 Limitation on Time of Payment. Unless a Member elects otherwise, payment of his or her Plan Benefit will occur or begin not later than 60 days after the latest of the following:

(a) The last day of the Plan Year in which the Member reaches Normal Retirement Age;

(b) The last day of the Plan Year in which the Member ceases to be an Employee;

(c) The earliest date on which the Administrative Committee can reasonably ascertain the amount of the Member's Plan Benefit; or

(d) The earliest date on which the Administrative Committee can reasonably locate the Member (or his or her Beneficiary).

In no event, however, will the payment of a Member's Plan Benefit begin later than the Member's Required Beginning Date.

SECTION 12 ALLOCATION LIMITATIONS.
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12.1 Limitation on Annual Additions. The Annual Additions allocated to a Member for any Plan Year will not exceed the lesser of the following:

(a) $30,000 (or, if greater, 1/4 of the dollar limitation for defined benefit plans in effect under section 415(b)(1)(A) of the Code) as adjusted to take into account changes in the cost of living;

(b) 25% of the Member's Total Compensation for such Plan Year.

If a Member's Annual Additions would exceed the above limitation, then such Annual Additions will be reduced by reducing the components of such additions, as necessary, in the order in which they are listed in Section 2.6.

The Plan Year will be the "limitation year" (as defined under section 415 of the Code) unless the Board of Directors designates another 12 consecutive month period as the limitation year under a written resolution adopted by the Board of Directors.

12.2 Combined Limitation on Benefits and Contributions. If a Member also participates in one or more qualified defined benefit plans (as defined in section 414(j) of the Code) maintained by the Company or any Affiliated Company, the Member's benefits under any of the qualified defined benefit plans will be reduced to the extent necessary to ensure that the sum of the "Defined Benefit Fraction" (as defined in section 415(e)(2) of the Code) for the Plan Year plus the "Defined Contribution Fraction" (as defined in section 415(e)(3) of the Code) for the Plan Year does not exceed 1.0.

12.3 Disposition of Excess Annual Additions. Any Annual Additions under this Plan that cannot be allocated to a Member because of the limitation in Section 12.1 will be processed as follows:

(a) Any Profit Sharing Contribution and Forfeitures attributable to Profit Sharing Accounts that cannot be allocated to the Member will be deducted from the amount of the Profit Sharing Contribution which otherwise would be made under Section 6, but such reduction will not affect the amounts allocable under Section 6.3 to Members whose Profit Sharing Contribution component of Annual Additions is not reduced.

(b) Any Matching Contribution and Forfeitures attributable to Matching Accounts that cannot be allocated to the Member will be deducted from the amount of the Matching Contribution which otherwise would be made under Section 5.1, but such reduction will not affect the amounts allocable under Section 5.3 to Members whose Matching Contribution component of Annual Additions is not reduced.

(c) Any Nonelective Contribution that cannot be allocated to the Member will be deducted from the amount of any Nonelective Contribution which otherwise would be made under Section 5.2, but such reduction will not affect the amounts allocable under Section 5.3 to Members whose Nonelective Contribution portion of Annual Additions is not reduced.

(d) Any Post-Tax Contributions made by the Member (increased by any income or reduced by any losses allocable to such Contributions) will be returned to the Member in cash.

(e) Any Pre-Tax Contributions will be credited to a suspense account on behalf of the Member. All amounts credited to such account will be treated as Pre-Tax Contributions for successive Plan Years and will be allocated annually to the Member under Section 4 (to the extent such allocation is not prohibited by Section 12.1) until exhausted. No gains or losses will be credited to the suspense account and no additional Pre-Tax Contributions, or any Matching Contribution, Nonelective Contribution or Profit Sharing Contribution will be made by or on behalf of the Member so long as any amount remains in the suspense account.

SECTION 13 FUNDING POLICY AND METHOD.
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13.1 Contributions. The Administrative Committee will make arrangements for the collection of Member Contributions as provided in Section 4. The Company will make Matching Contributions, Nonelective Contributions and Profit Sharing Contributions to the Plan as provided in Sections 5 and 6.

13.2 Trust Fund. All monies, securities or other property received as contributions under the Plan will be delivered to the Trustee under the Trust Fund, to be managed, invested, reinvested and distributed in accordance with the Plan, the Trust Agreement, and any agreement with an insurance company or other financial institution constituting a part of the Plan and Trust Agreement.

13.3 Expenses of the Plan. The expenses of administering the Plan will include but not be limited to:

(a) The fees and expenses of any employee and of the Trustee for the performance of their duties under the Trust Agreement;

(b) The expenses incurred by the members of the Administrative Committee and of the Investment Committee in the performance of their duties under the Plan (including reasonable compensation for any legal counsel, certified public accountants and actuaries and any outside agents and cost of services provided for the Plan); and

(c) All other proper charges and disbursements of the Trustee or the members of the Administrative Committee and of the Investment Committee (including settlements of claims or legal actions approved by counsel to the Plan).

The expenses of administering the Plan may be paid out of the Trust Fund if the Participating Companies do not pay such expenses directly in such proportions as determined by the Administrative Committee. An election by

the Participating Companies to pay all or a part of the above expenses directly will not bind such companies as to their rights to elect, with respect to the same or other expenses, at any other time to have such expenses paid from the Trust Fund or to have the Trustee reimburse the Participating Companies for expenditures already made. In estimating costs under the Plan, administrative costs may be anticipated.

13.4 Cash Requirements. From time to time the Administrative Committee will estimate the Plan Benefits, withdrawals and administrative expenses to be paid out of the Trust Fund during the period for which the estimate is made and will also estimate the contributions to be made to the Plan during that period. The Administrative Committee will inform the Trustee and each Investment Manager of the estimated cash needs of, and contributions to, the Plan during the periods for which the estimates are made. The estimates will be made on an annual, quarterly, monthly or other basis, as the Administrative Committee may determine.

13.5 Independent Accountant. The Administrative Committee will engage an independent qualified public accountant to conduct such examinations and to express such opinions as may be required by section 103(a)(3) of the Act. The Administrative Committee may remove and discharge the person so engaged, in which event it will engage a successor independent qualified public accountant to perform such examinations and to express such opinions.

13.6 Loans from Parties-In-Interest. The Investment Committee, in its sole discretion, may borrow money or receive credit from a party-in-interest (within the meaning of Section 3(14) of ERISA), providing such loan or extension of credit satisfies the applicable conditions of Department of Labor Prohibited Transactions Class Exemption No. 80-26, or such successor exemption which may from time to time be applicable, and otherwise satisfies the prohibited transactions provisions of ERISA and the Code. The proceeds of such a loan shall be allocated to such investment fund or funds as the Investment Committee deems appropriate. In connection with such a loan or extension of credit, the Investment Committee or its designee may execute such promissory notes or loan or other documents as it deems appropriate.

SECTION 14 BENEFICIARIES.
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If no Beneficiary designation is in effect under Section 2.8 at the time of a Member's death, or if no designated Beneficiary survives the Member, the payment of the Member's Plan Benefit, if any, will be made to the following persons in the order listed:

(a) To the Member's Surviving Spouse, if any;

(b) If the Member has no Surviving Spouse, then to his or her children;

(c) If the Member has no living children, then to his or her parents;

(d) If the Member has no living parents, then to his or her brothers and sisters; or

(e) If the Member has no living brothers and sisters, then to his or her estate.

The Administrative Committee will, in its sole and absolute discretion, determine the right of such persons to receive the Member's Plan Benefit, if any. If the Administrative Committee is in doubt as to the right of any person to receive such benefit, the Administrative Committee may direct the Trustee to retain such benefit, without liability for any interest, until the rights to such benefit are determined, or, alternatively, may direct the Trustee to pay such benefit into any court of appropriate jurisdiction and such payment will be a complete discharge of the liability of the Plan and the Trust Fund.

SECTION 15 ADMINISTRATION AND OPERATION OF THE PLAN.
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15.1 Plan Administrator. The Administrative Committee is the "Plan Administrator" of the Plan (as such term is defined in the Act) and the "Named Fiduciary" as defined in section 402(a) of the Act with respect to the operation and administration of the Plan. The Administrative Committee will make such rules and regulations and take any other actions to administer the Plan as it may deem appropriate. The Administrative Committee may adopt periods in which advance notice required under the Plan must be given and will communicate such periods to Employees. The Administrative Committee will have sole discretion to interpret the terms of the Plan and to determine eligibility for benefits under the objective criteria described in the Plan. The Administrative Committee's rules, interpretations, computations and actions will be conclusive and binding on all persons.

In administering the Plan, the Administrative Committee (a) will act in a nondiscriminatory manner to the extent required by section 401(a) and related sections of the Code, and (b) will at all times discharge its duties in accordance with the standards described in section 404(a)(1) of the Act.

15.2 Control and Management of Plan Assets. The Investment Committee is the "Named Fiduciary" as defined in section 402(a) of the Act with respect to the management and control of the assets of the Plan, but only to the extent that it will have the authority to:

(a) Appoint 1 or more trustees to hold the assets of the Plan in trust and to enter into a trust agreement with each trustee it appoints;

(b) Appoint 1 or more Investment Managers for any assets of the Plan and to enter into an investment management agreement with each Investment Manager it appoints;

(c) Direct the investment of any Plan assets not assigned to an

Investment Manager or to the Trustee; and

(d) Perform such other functions as are specifically assigned to the Investment Committee under the Plan.

15.3 Trustees and Investment Managers. Each trustee appointed under Section 15.2 will have the exclusive authority and discretion to manage and control the Plan assets held in trust by it, except to the extent that:

(a) The Investment Committee directs how those assets will be invested;

(b) The Investment Committee allocates the authority to manage those assets to one or more Investment Managers; or

(c) The Plan prescribes how those assets will be invested.

Each Investment Manager appointed under Section 13.2 will have the exclusive authority to manage, including the power to acquire and dispose of, the Plan assets assigned to it by the Investment Committee, except to the extent that the Plan prescribes how those assets will be invested. The Trustee and each Investment Manager will be solely responsible for diversifying the investment, in accordance with section 404(a)(1)(C) of the Act, of the Plan assets assigned to them by the Investment Committee, except to the extent that the Investment Committee directs or the Plan prescribes how those assets will be invested.

15.4 Committee Membership. Both the Administrative Committee and the Investment Committee will consist of at least 3 members. Each member will be appointed by, will remain in office at the will of, and may be removed, with or without cause, by, the Board of Directors. Any member of either Committee may resign at any time. The Board of Directors will designate the chairman of each Committee.

To the maximum extent permitted by law, no member of either Committee will be personally liable by reason of any contract or other instrument executed by him or her or on his or her behalf in his or her capacity as a member of such Committee nor for any mistake of judgment made in good faith. The Company will indemnify and hold harmless, directly from its own assets (including the proceeds of any insurance policy the premiums of which are paid from the Company's own assets), each member of the Administrative Committee and Investment Committee and each other officer, employee or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan or to the management and control of the assets of the Plan may be delegated or allocated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan, unless arising out of such person's own fraud or willful misconduct.

15.5 Reports to Board of Directors. Each Committee will report to the

Board of Directors, or to its designee for this purpose, annually and at such other times specified by the Board of Directors or such designee, concerning the matters for which it is responsible under the Plan.

15.6 Employment of Advisers. The Administrative Committee and the Investment Committee may make use of employees of the Company or outside agents as they require or may deem advisable for purposes of performing their respective duties under the Plan. Either Committee may rely upon the written opinion or advice of counsel provided by the Company, fairness opinions provided by investment bankers and written opinions or advice by actuaries or accountants engaged by the Administrative Committee. Either Committee may delegate to any such agent or to any subcommittee or member of the Committee its authority to perform any act under the Plan, including, without limitation, those matters involving the exercise of discretion. Any such delegation of discretion will be subject to revocation at any time at the discretion of the appropriate Committee.

15.7 Limitations on Committee Actions. No member of either Committee will be entitled to act on or decide any matter relating solely to himself or herself or any of his or her rights or benefits under the Plan. The members of the Administrative Committee and of the Investment Committee will not receive any special compensation for serving in their capacities as members of such Committees but will be reimbursed for any reasonable expenses incurred in performing their Committee duties. Except as otherwise required by the Act, no bond or other security will be required of either Committee or any Committee member in any jurisdiction. Any person may serve on both Committees, and any member of either Committee, any subcommittee or agent to whom either Committee delegates any authority, and any other person or group of persons, may serve in more than one fiduciary capacity (including service both as a trustee and an administrator) with respect to the Plan.

15.8 Committee Meetings. Each Committee will establish its own procedures and the time and place for its meetings, and provide for the keeping of minutes of all meetings. A majority of the members of a Committee will constitute a quorum for the transaction of business at a meeting of the Committee. Any action of a Committee may be taken upon the affirmative vote of a majority of the members of the Committee at a meeting or, at the direction of its Chairman, without a meeting by "mail," telegraph or telephone, provided that all of the members of the Committee are informed by mail, telegraph or telephone of their right to vote on the proposal and of the outcome of the vote. "Mail" will include any written or electronic interoffice communication.

SECTION 16 CLAIMS AND REVIEW PROCEDURES.

16.1 Applications for Benefits. Any application for a Plan Benefit must be submitted to the Administrative Committee at the Company's principal office. Such application must be in writing on the prescribed form and must be signed by the applicant.

16.2 Denial of Applications. In the event that any application for a Plan Benefit is denied in whole or in part, the Administrative Committee will notify the applicant in writing of the right to a review of the denial. The written notice will state, in a manner reasonably calculated to be understood by the applicant:

(a) The specific reasons for the denial;

(b) The specific references to the Plan provisions on which the denial was based;

(c) A description of any information or material necessary to perfect the application;

(d) An explanation of why such material is necessary; and

(e) An explanation of the Plan's review procedure.

The written notice will be given to the applicant within 90 days after the Administrative Committee receives the application, unless special circumstances require an extension of time for processing the application. In no event will the extension exceed a period of 90 days from the end of the initial 90-day period. If an extension is required, written notice of the need for the extension will be given to the applicant before the end of the initial 90-day period. The notice will indicate the special circumstances requiring an extension of time and the date by which the Administrative Committee expects to give a decision. If written notice is not given to the applicant within the initial 90-day period, then the application will be deemed to have been denied (for purposes of Section 16.3) upon the expiration of such period.

16.3 Requests for Review. Any person whose application for a Plan Benefit is denied in whole or in part (or such person's duly authorized representative) may appeal the denial by submitting to the Administrative Committee a request for a review of such application within 60 days after receiving written notice of the denial. The Administrative Committee will give the applicant or such representative an opportunity to review pertinent documents (except legally privileged materials) in preparing such request for review and to submit issues and comments in writing. The request for review must be in writing and must be addressed to the Company's principal office. The request for review must state all of the grounds on which it is based, all facts in support of the request and any other matters which the applicant deems pertinent. The Administrative Committee may require the applicant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review.

16.4 Decisions on Review. The Administrative Committee will act upon each request for review within 60 days after it receives the request, unless special circumstances require an extension of time for processing, but in no event will the decision on review be given more than 120 days after the Administrative Committee receives the request for review. If an extension is

required, written notice of the need for the extension will be given to the applicant before the end of the initial 60-day period. The Administrative Committee will give prompt, written notice of its decision to the applicant. If the Administrative Committee confirms the denial of the application for benefits in whole or in part, the notice will state, in a manner calculated to be understood by the applicant, the specific reasons for the denial and specific references to the Plan provisions on which the decision is based. To the extent that the Administrative Committee overrules the denial of the application for a Plan Benefit, such benefit will be paid to the applicant.

16.5 Exhaustion of Administrative Remedies. No legal or equitable action for a Plan Benefit will be brought unless and until the claimant has:

(a) Submitted a written application for a Plan Benefit in accordance with Section 16.1;

(b) Been notified that the application is denied;

(c) Filed a written request for a review of the application in accordance with Section 16.3; and

(d) Been notified in writing that the Administrative Committee has affirmed the denial of the application.

A Member may bring an action without completing the above steps after the Administrative Committee has failed to act on the claim within the time prescribed in Section 16.2 and Section 16.4.

SECTION 17 TERMINATION OF EMPLOYER PARTICIPATION.
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17.1 Termination by Participating Company. Any Participating Company may terminate its participation in the Plan by giving the Board of Directors prior written notice specifying a termination date which will be the last day of a month at least 60 days after the date such notice is received by the Board of Directors. If the specified termination date is not at least 60 days after the date the notice of termination is received by the Board of Directors, the specified termination date will automatically be changed to the last day of the first month which is at least 60 days after the date the notice is received. The Board of Directors may waive such 60 day notice requirement and terminate the Participating Company's participation in the Plan as of any earlier date. The Board of Directors may also terminate any Participating Company's participation in the Plan, as of any termination date specified by the Board of Directors, for the failure of the Participating Company to make proper contributions, to comply with any other provision of the Plan, or for any other reason the Board of Directors deems appropriate. In any event, the Administrative Committee will promptly notify the IRS and other appropriate governmental authorities under Sections 17.3 and 18.3 of the Plan.

17.2 Effect of Termination. Upon termination of the Plan as to any

Participating Company, the interest in the Accounts of any Members who were or are currently employed by such Participating Company will become fully vested and nonforfeitable and no amount will subsequently be payable under the Plan to or with respect to such Members except as provided in this Section 17.2. Subject to any conditions which the IRS or any other governmental authority may impose, the Administrative Committee will direct the Trustee to segregate that portion of the Trust Fund attributable to the Members' Accounts of that Participating Company. To the maximum extent permitted by the Code and the Act, any rights of Members or former Members of that Participating Company and their Beneficiaries and other eligible survivors will be unaffected by a termination of the Plan as to such Participating Company.

17.3 IRS Termination Procedure. If the Plan is terminated with respect to a Participating Company, the Administrative Committee or the appropriate Company office must submit the Plan to the IRS for a determination that the termination of the Plan with respect to the Participating Company will not adversely affect the qualified status of the Plan and the Trust Fund under sections 401(a) and 501(a) of the Code. No distributions of assets will be made in connection with the termination of the Plan until the IRS has issued a determination as to the effect of such termination. The Participating Company may, by written notice delivered to the Administrative Committee and the Trustee, waive its right to apply for such a determination. Any such waiver request must be approved by the Board of Directors.

17.4 Termination of the Plan. If the Plan is terminated with respect to all Participating Companies, the provisions of this Section 17 will be applied to each of the Participating Companies individually or collectively as determined by the Administrative Committee in its sole and absolute discretion.

SECTION 18 AMENDMENT, MERGER OR TERMINATION OF THE PLAN AND TRUST.

18.1 Right to Amend. The Board of Directors have the right at any time, to modify, alter or amend this Plan, in whole or in part, prospectively or retroactively. No amendment will reduce any Member's Plan Benefit, calculated as of the date on which the amendment is adopted, except to the extent as may be appropriate or necessary to enable the Plan and Trust Fund to continue to satisfy the requirements of section 401(a) and section 501(a) of the Code or other applicable law. Any such amendment will be evidenced by an instrument in writing duly executed, acknowledged and delivered to the Administrative Committee and the Trustee. If the Plan is amended by the Board of Directors after it is adopted by an Affiliated Company, unless otherwise expressly provided, it will be treated as so amended by the Affiliated Company without the necessity of any action on the part of the Affiliated Company.

18.2 Plan Merger or Consolidation. The Board of Directors reserves the right to merge or consolidate this Plan with any other plan or to direct the Trustee to transfer the assets held in the Trust Fund and/or the liabilities

of this Plan to any other plan or to accept a transfer of assets and liabilities from any other plan. In the event of the merger or consolidation of this Plan and the Trust Fund with any other plan, or a transfer of assets or liabilities to or from the Trust Fund to or from any other such plan, then each Member will be entitled to a benefit immediately after the merger, consolidation or transfer (determined as if the Plan was then terminated) that is equal to or greater than the benefit he or she would have been entitled to receive immediately before such merger, consolidation or transfer (if this Plan had then terminated).

18.3 Termination of the Plan. The Board of Directors hopes and expects to continue the Plan indefinitely. Nevertheless, to the full extent permitted by law, the Board of Directors reserves the right to terminate the Plan or to completely discontinue contributions under the Plan. As required by law, before the termination or discontinuance of contributions, the Board of Directors, or its designee, will notify the Administrative Committee, the Trustee, or any other fiduciary of its intent to terminate the Plan or to discontinue contributions under the Plan. Upon such termination or discontinuance of contributions, the interest of each Member in his or her Accounts will become fully vested and nonforfeitable.

18.4 Partial Termination of the Plan. Upon a curtailment of the Plan or a discontinuance of the Plan with respect to a group or class of Members that constitutes a "Partial Termination" under section 411(d)(3) of the Code, the interest of each Member in his or her Accounts will become fully vested and nonforfeitable. If a Partial Termination occurs, the Accounts of the Members affected by the Partial Termination will be segregated by the Trustee and used to pay benefits under the Plan to such Members in accordance with Section 18.5 as though the Plan had been completely terminated. Alternatively, the Administrative Committee may postpone benefit payments to those Members until their subsequent termination of Service with the Company in accordance with other provisions of the Plan.

18.5 Manner of Distribution. Upon termination of the Plan, the Administrative Committee may, in its sole and absolute discretion, direct the Trustee to convert the Trust Fund into cash and liquidate it by making benefit payments to Members in accordance with the modes of payment provided for in Section 11.5. Alternatively, with the consent of the Board of Directors, or its designee, the Administrative Committee may direct the Trustee to hold the Members' Plan Benefit in the Trust Fund until such Members or their Beneficiaries become eligible to receive benefit payments under the terms and provisions of this Plan.

18.6 Restrictions on Liquidation of Trust Upon Termination. In no event, however, will a Member's Nonelective Account and Pre-Tax Account be distributed before the first to occur of the following events:

(a) The Member's retirement;

(b) The Member's death;

(c) The Member's disability (as determined by the Administrative Committee);

(d) The Member's termination of employment;

(e) The Member's attainment of age 59-1/2;

(f) The termination of the Plan, provided that neither the Company nor an Affiliated Company maintains a successor plan;

(g) The disposition, to a corporation that is not an Affiliated Company, of substantially all of the assets (within the meaning of section 409(d)(2) of the Code) used by the Company in the trade or business in which the Member is employed, provided that the Member continues employment with the transferee corporation and the Company continues to maintain the Plan; or

(h) The disposition, to a corporation that is not an Affiliated Company, of the Company's interest in a subsidiary in which the Member is employed, provided that the Member continues employment with the subsidiary and the Company continues to maintain the Plan.

A distribution may be made under (f), (g), or (h) above only if it constitutes a total distribution of the entire balance of the Member's Accounts.

SECTION 19 INALIENABILITY OF BENEFITS.

19.1 No Assignment Permitted. Except as may otherwise be required by law, no amount payable at any time under the Plan and the Trust Agreement will be used or diverted for purposes other than for the exclusive benefit of Members and their Beneficiaries. No amount payable at any time under the Plan and the Trust Agreement will be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any Member, Beneficiary or Alternate Payee. Any attempt to so alienate or subject any such amount will be void. If any Member, Beneficiary or Alternate Payee attempts to, or alienates, sells, transfers, assigns, pledges, attaches or otherwise encumbers any amount payable under the Plan and Trust Agreement, or any portion of such amount, or if by reason of his or her bankruptcy or any other event, such amount would be made subject to his or her debts or liabilities, or would otherwise not be enjoyed by him or her, then the Administrative Committee, if it so elects, may direct that such amount be withheld and that such amount or any portion of such amount be paid or applied to or for the benefit of such person, his or her spouse, children or other dependents or any of them, in such manner and proportion as the Administrative Committee may deem proper.

The following arrangements are not prohibited under the Plan:

(a) Arrangements for the withholding of tax from benefit

distributions;

(b) Arrangements for the recovery of benefit overpayments; or

(c) Arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

In addition, the return of Company Contributions under Section 19.2 and the creation, assignment or recognition of a right to all or a portion of a Member's Plan Benefit under a Qualified Domestic Relations Order under Section 19.3 will not violate this Section 19.1.

19.2 Return of Contributions. All Pre-Tax Contributions, Nonelective Contributions, Matching Contributions and Profit Sharing Contributions are expressly conditioned upon the deductibility of such contributions under section 404 of the Code. If the deduction of any Pre-Tax Contributions, Nonelective Contribution, Matching Contribution or Profit Sharing Contribution is disallowed, then the amount for which a deduction is disallowed will be returned to the appropriate Participating Company within 12 months after the date of the disallowance. In addition, if any Pre-Tax Contributions, Nonelective Contribution, Matching Contribution or Profit Sharing Contribution is made as a result of a mistake of fact, such contribution may be repaid to the appropriate Participating Company within 12 months after it is made. Any Pre-Tax Contributions, Nonelective Contribution, Matching Contribution or Profit Sharing Contribution so returned will be reduced to reflect losses but will not be increased to reflect gains or income. Any Pre-Tax Contributions so returned will be paid to the Member from whom it was withheld.

19.3 Qualified Domestic Relations Orders. The Administrative Committee will honor the terms of a Qualified Domestic Relations Order that satisfies the following requirements.

(a) Requirements. In accordance with section 414(p) of the Code, a Domestic Relations Order will not be treated as a Qualified Domestic Relations Order unless it satisfies all of the following conditions:

(i) The Domestic Relations Order clearly specifies the name and last known mailing address (if any) of the Member and the name and last known mailing address of each Alternate Payee covered by the order, the amount or percentage of the Member's Plan Benefit to be paid to each Alternate Payee or the manner in which such amount or percentage is to be determined, and the number of payments or period to which such order applies.

(ii) The Domestic Relations Order specifically indicates that it applies to this Plan.

(iii) The Domestic Relations Order does not require this Plan

to provide any type or form of benefit, or any option, not otherwise provided under the Plan, and it does not require the Plan to provide increased benefits.

(iv) The Domestic Relations Order does not require the payment of all or a portion of a Member's Plan Benefit to an Alternate Payee which is required to be paid to another Alternate Payee under another order previously determined to qualify as a Qualified Domestic Relations Order.

(b) Early Commencement of Payments to Alternate Payees. A Domestic Relations Order requiring payment to an Alternate Payee before a Member has separated from employment may qualify as a Qualified Domestic Relations Order as long as the order does not require payment before the Member's "Earliest Retirement Age," which is the earliest date on which the Member could elect to receive a Plan Benefit. If the order requires payments to begin after a Member's Earliest Retirement Age before the Member's actual retirement, the amount of the payments must be determined as if the Member had begun receiving benefit payments on the date on which the payments are to begin under the order, but taking into account only the value of the Member's Accounts at that time. The Plan Benefit payable to an Alternate Payee will not be recalculated upon the Member's actual retirement.

(c) Alternate Payment Forms. The Domestic Relations Order may call for the payment of the Member's Plan Benefit to an Alternate Payee in any form in which benefits may be paid under the Plan to the Member, other than in the form of a qualified joint and survivor annuity, as defined in section 417(b) of the Code, with respect to the Alternate Payee and his or her subsequent spouse.

(d) Processing of Qualified Domestic Relations Orders. The Administrative Committee will promptly notify the Member, and any Alternate Payee (including any Alternate Payee who may be entitled to benefits under a previously received Qualified Domestic Relations Order) of the receipt of any Domestic Relations Order which could qualify as a Qualified Domestic Relations Order. At the same time, the Administrative Committee will advise the Member and each Alternate Payee of the Plan provisions relating to the determination of the qualified status of such orders.

Within a reasonable period of time after receipt of a copy of the Domestic Relations Order, the Administrative Committee will determine whether the order is a Qualified Domestic Relations Order and notify the Member and each Alternate Payee of its determination. The determination of the status of a Domestic Relations Order as a Qualified Domestic Relations Order will be made in accordance with such uniform and nondiscriminatory rules and procedures as may be adopted by the Administrative Committee from time to time. If monthly benefits are presently being paid with respect to a Member named in a Domestic Relations Order which may qualify as a Qualified Domestic Relations Order, or if the Member's Plan Benefit becomes payable after receipt of the order, the Administrative Committee will notify the Trustee to segregate and hold the amounts which would be payable to the Alternate Payee

or payees designated in the order if the order is ultimately determined to be a Qualified Domestic Relations Order.

If the Administrative Committee determines that the Domestic Relations Order is a Qualified Domestic Relations Order within 18 months of receipt of the order, the Administrative Committee will instruct the Trustee to pay the segregated amounts (plus any earnings on such amounts) to the Alternate Payee specified in the Qualified Domestic Relations Order. Conversely, if within the same 18 month period the Administrative Committee determines that the Domestic Relations Order is not a Qualified Domestic Relations Order, or if the status of the order as a Qualified Domestic Relations Order is not resolved, the Administrative Committee will instruct the Trustee to pay the segregated amounts (plus any earnings on such amounts) to the person or persons who would have been entitled to such amounts if the order had not been entered. If the Administrative Committee determines that a Domestic Relations Order is a Qualified Domestic Relations Order after the close of the 18 month period mentioned above, the determination will be applied prospectively only. The determination of the Administrative Committee as to the status of a Domestic Relations Order as a Qualified Domestic Relations Order will be binding and conclusive on all interested parties, present and future, subject to the claims review provisions of Section 16.

(e) Responsibility of Alternate Payees. Any person claiming to be an Alternate Payee under a Qualified Domestic Relations Order will be responsible for supplying the Administrative Committee with a certified or otherwise authenticated copy of the order and any other information or evidence that the Administrative Committee deems necessary in order to substantiate the person's claim or the status of the order as a Qualified Domestic Relations Order.

SECTION 20 TOP-HEAVY PROVISIONS.
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20.1 Determination of Top-Heavy Status. If the Plan becomes "Top Heavy," the provisions of this Section 20 will become operative. The Plan will be Top Heavy for a Plan Year if, on the last day of the prior Plan Year (the "Determination Date"), the cumulative balances credited to the Accounts of all Members who are "Key Employees" under the Plan exceed 60% of the cumulative balances credited to the Accounts of all Members under the Plan. The Plan will be "Super Top Heavy" if, on the Determination Date, the cumulative balances credited to the Accounts of all Members who are "Key Employees" under the Plan exceed 90% of the cumulative balances credited to the Accounts of all Members.

A "Key Employee" means a key employee as defined in section 416 of the Code.

If the Administrative Committee, in its sole and absolute discretion, but under the provisions of section 416 of the Code, determines that the Plan is a constituent in an "Aggregation Group", this Plan will be considered Top Heavy or Super Top Heavy only if the Aggregation Group is a "Top Heavy Group"

or a "Super Top Heavy Group."

An "Aggregation Group" includes:

(a) Each plan intended to qualify under section 401(a) of the Code sponsored by the Company or an Affiliated Company in which 1 or more Key Employees participate;

(b) Each other plan of the Company or an Affiliated Company that is considered in conjunction with such plans in determining whether or not the discrimination and coverage requirements of section 401(a)(4) and section 410 of the Code are satisfied; and

(c) In the discretion of the Administrative Committee, any other such plan of the Company or an Affiliated Company, which, when considered in conjunction with the plans referred to above, satisfies the nondiscrimination and coverage requirements of section 401(a)(4) and section 410 of the Code.

A "Top Heavy Group" is an Aggregation Group in which the sum (determined as of the Determination Date) of the aggregate of the amounts credited to the accounts of Key Employees under all "defined contribution plans" (as defined in section 414(i) of the Code) included in such group plus the present value of the cumulative accrued benefits for Key Employees under all "defined benefit plans" (as defined in section 414(j) of the Code) included in such group, exceed 60% of the total of such amounts for all employees and beneficiaries covered by such plans. A "Super Top Heavy Group" is an Aggregation Group for which the sum so determined for Key Employees exceeds 90% of the sum so determined for all employees and beneficiaries. Such determination will be made by the Administrative Committee in accordance with section 416 of the Code.

20.2 Minimum Allocations. For any Plan Year during which the Plan is a Top-Heavy Plan, the Matching Contributions, Nonelective Contributions, Profit Sharing Contributions (other than the portion of the Profit Sharing Contributions and Forfeitures which could have been received in cash in accordance with Section 6.2) and Forfeitures allocated under this Plan and employer contributions and forfeitures allocated under any other defined contribution plan of the Aggregation Group, on behalf of any Member who is (a) employed on the last regularly scheduled working day of the Plan Year, and (b) who is not a Key Employee will not be less than a percentage of the Member's Total Compensation, equal to the lesser of:

(a) 3%; or

(b) The percentage equal to the largest percentage that any Key Employee for that Plan Year receives of Pre-Tax Contributions, Matching Contributions, Nonelective Contributions, Profit Sharing Contributions and Forfeitures allocated on behalf of that Key Employee's Total Compensation for that Plan Year, as limited by Section 20.5 below.

The minimum allocation will be determined without regard to any

contributions made or benefits available under the federal Social Security Act.

20.3 Minimum Vesting. If a Member (other than a Member who did not complete any Period of Service after the Plan became a Top-Heavy Plan) ceases to be an Employee while the Plan is a Top-Heavy Plan and after such Member has completed 3 or more Years of Service, such Member's Vested Interest in his or her Matching Account and Profit Sharing Regular Account will be 100% and will no longer be subject to forfeiture for an act of Misconduct under 11.1. If a Member ceases to be an Employee while the Plan is a Top-Heavy Plan and before the Member has completed 3 Years of Service, the Member's Vested Interest in his or her Matching Account and Profit Sharing Regular Account will be determined in accordance with Section 11.1.

20.4 Effect of Change in Top-Heavy Status on Vesting. If the Plan at any time is a Top-Heavy Plan and later ceases to be a Top-Heavy Plan, each Member who is credited with 3 or more Years of Service as of the last day of the last Plan Year in which the Plan is a Top-Heavy Plan will continue to have a 100% Vested Interest in his or her Matching Account and Profit Sharing Regular Account. Each Member who is credited with fewer than 3 Years of Service as of the last day of the last Plan Year in which the Plan is a Top-Heavy Plan will have his or her Vested Interest in his or her Matching Account and Profit Sharing Regular Account determined under Section 11.1 (unless and until the Plan again becomes a Top-Heavy Plan).

20.5 Impact on Maximum Benefits. For any Plan Year in which the Plan is a Top-Heavy Plan, the number "1.00" will be substituted for the number "1.25" wherever it appears in section 415(e)(2) and section 415(e)(3) of the Code. Such substitution will not have the effect of reducing any benefit accrued under a defined benefit plan maintained by a Participating Company before the first day of the Plan Year in which this provision becomes applicable.

SECTION 21 GENERAL LIMITATIONS AND PROVISIONS.

21.1 No Employment Rights. Nothing in the Plan will be deemed to give any employee the right to be retained in the employment of the Company or an Affiliated Company or affect the right of the Company or an Affiliated Company to terminate a person's employment with or without cause.

21.2 Payments from the Trust Fund. The Trust Fund will be the sole source of benefits under the Plan and, except as otherwise required by the Act, the Company, the Administrative Committee and the Investment Committee assume no liability or responsibility for payment of such benefits. Each Member, Beneficiary or other person who will claim the right to any payment under the Plan will be entitled to look only to the Trust Fund for such payment and will not have the right, claim or demand for such amount against the Company, the Administrative Committee or the Investment Committee or any member of the Committees, or any employee or member of the board of directors of the Company.

21.3 Payments to Minors or Incompetents. If the Administrative Committee finds that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due him or her or his or her estate (unless a prior claim therefore has been made by a duly appointed legal representative) may, if the Administrative Committee so elects, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Administrative Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment will be a complete discharge of the liability of the Plan and the Trust Fund.

21.4 Lost Members or Other Persons. If the Administrative Committee is unable to locate a Member, Beneficiary or other person who is entitled to receive a benefit under the Plan, the Administrative Committee may (but need not) direct that such benefit be applied to reduce the Company Matching Contribution and/or Profit Sharing Contribution to the Plan. If the person later makes a claim for his or her benefit before the date final distributions are made from the Trust Fund following the termination of the Plan, the Company that employed the Member with respect to whom the benefit is payable, will reinstate such benefit (without income, gains or other adjustment) by making a special contribution to the Plan as soon as reasonably practicable after such claim is made. However, if the benefit would have been lost by reason of escheat under applicable state law, then the benefit will not be subject to reinstatement. If the Plan is terminated and final distributions are made from the Trust Fund before the applicable escheat period has expired, the Administrative Committee may transfer the affected person's benefits to an individual retirement account established for such person.

21.5 Personal Data to the Administrative Committee. Each Member must file with the Administrative Committee such pertinent information concerning himself or herself, his or her Beneficiary or any other person as the Administrative Committee may specify, and no member, Beneficiary or other person will have any rights to any benefit under the Plan unless such information is filed by or with respect to him or her. The Administrative Committee is entitled to rely on personal data given to it by a Member.

21.6 Insurance Contracts. If the payment of any benefit under the Plan is provided for by a contract with an insurance company the payment of such benefit will be subject to all the provisions of such contract.

21.7 Notice to the Administrative Committee. All elections, designations, requests, notices, instructions and other communications from a Participating Company, a Member, Beneficiary, or other person to the Administrative Committee, required or permitted under the Plan, will be:

(a) In such form as is prescribed from time to time by the Administrative Committee;

(b) Mailed by first-class mail or delivered to such location as will be specified by the Administrative Committee, or provide by electronic means, including telephone, as permitted by the Administrative Committee; and

(c) Deemed to have been given and delivered only upon actual receipt by the Administrative Committee or its designee at the location.

21.8 Notices to Members and Beneficiaries. All notices, statements, reports and other communications from a Participating Company or the Administrative Committee or Investment Committee to any employee, Member, Beneficiary or other person (other than the Administrative Committee) required or permitted under the Plan will be deemed to have been duly given when delivered to, or when mailed by first-class mail, postage prepaid and addressed to, the employee, Member, Beneficiary or other person at his or her address last appearing on the records of the Administrative Committee.

21.9 Word Usage. Whenever used in the Plan, the masculine gender includes the feminine, and wherever the context of the Plan dictates, the plural will be read as the singular and the singular as the plural. Uses of the term "Sections" as a cross-reference will be to other Sections contained in the Plan and not to another instrument, document or publication unless specifically stated otherwise.

21.10 Headings. The titles and headings of Sections are included for convenience of reference only and are not to be considered in construing the provisions of the Plan.

21.11 Governing Law. The Plan and all rights under the Plan will be interpreted and construed in accordance with California law except to the extent such law is preempted by the Act and the Code.

21.12 Heirs and Successors. All of the provisions of the Plan will be binding upon all persons who will be entitled to any benefits under the Plan, their heirs and legal representatives.

21.13 Withholding. Payment of benefits under this Plan will be subject to applicable law governing the withholding of taxes from benefit payments, and the Trustee and Administrative Committee will be authorized to withhold taxes from the payment of any benefits under the Plan, in accordance with applicable law.

IN WITNESS WHEREOF, LEVI STRAUSS ASSOCIATES INC. has caused this Plan to be executed and its corporate seal to be hereunto affixed by its duly authorized officers, as of this _____ day of August, 1994.

LEVI STRAUSS ASSOCIATES INC.

By: ----------

Its:

ATTEST:

By:

EMPLOYEE INVESTMENT PLAN OF
LEVI STRAUSS ASSOCIATES INC.

(As Amended and Restated Effective November 27, 1989)

APPENDIX A

PRIOR PLAN PROVISIONS

This Appendix A states the provisions of the Plan in effect on or after the Effective Date (November 27, 1989) which were amended before November 1, 1993. The provisions of the Plan in effect as of November 1, 1993 are presented in the main text of this amended and restated Plan.

1. Effective before November 21, 1990, Section 2.1 of the Plan, then designated as Section 18.1, read as follows:

> 18.1 "Accounts" means, to the extent applicable to a Member, one or more of the following accounts: Matching Account, Post-Tax Account, Pre-Tax Account, Profit Sharing Account and Rollover Account.

2. Effective before November 21, 1990, Section 2.6 of the Plan, then designated as Section 15.4, read as follows:

> 15.4 Annual Additions. For purposes of this Section 15, a Member's "Annual Additions" for a Plan Year will equal the sum of the following:
>
> (a) The amount of employer contributions and forfeitures allocated to the Member as of any date within such Plan Year under any qualified defined contribution plan maintained by the Affiliated Group, including Profit Sharing Contributions, Matching Contributions and Forfeitures under this Plan;
>
> (b) The aggregate employee contributions which the Member contributes during such Plan Year to all qualified retirement plans maintained by the Affiliated Group,

including Post-Tax Contributions to this Plan; and

(c) The amount of contributions made on behalf of the Member for such Plan Year to any qualified defined contribution plan maintained by the Affiliated Group under a salary deferral election by the Member under a qualified cash or deferred arrangement, including Pre-Tax Contributions to this Plan.

3. Effective August 13, 1990, the following clause was added to the end of the fourth sentence of Section 2.8 of the Plan, then designated as Section 10.9:

"or the Administrative Committee is satisfied the spouse cannot be located."

4. Before November 26, 1990, an account executive's Compensation under Section 2.14 of the Plan could not exceed the maximum for the Home Office Salary Grade 6 salary range in effect at the end of such a Plan Year.

5. Effective before August 13, 1990, the last paragraph of 2.17 of the Plan, then designated as Section 18.46, read as follows:

18.46 "Temporary Employee" means a person who:

(a) Is hired to fill, for a period not to exceed six calendar months, a position which arises from either an emergency situation or from the temporary absence of an Eligible Employee;

(b) Is subject, as a condition of such employment, to termination without prior notice at any time; and

(c) Does not complete a 365-day Period of Service.

6. Effective before November 21, 1990, Section 2.17 of the Plan, then designated as Section 18.10, read as follows:

18.10 "Eligible Employee" means an Employee of a Participating Company who is paid from the home office of the Company. The Board of Directors, in designating a Participating Company, may specify that only certain named Employees or only certain classifications of Employees of such Participating Company will be "Eligible Employees," in which event all other Employees of such Participating Company will not be "Eligible Employees." In addition, the term "Eligible Employee" will not include an Employee who is:

(a) Included in a unit of employees covered by a collective-bargaining agreement that does not provide that

such Employee will be eligible to participate in the Plan;

(b) A stocktaker, service representative, retiree coordinator or Temporary Employee;

(c) A nonresident alien who receives no remuneration from a Participating Company that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the code);

(d) Any alien who (i) receives remuneration from the Company which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Code) and (ii) has been transferred by the Company from a job outside the United States to a job within the United States, during any period in respect of which the alien is benefiting (by reason of accruing a benefit or making or having contributions made on such alien's behalf) under (A) a retirement plan established or maintained outside of the United States by a foreign subsidiary (including a domestic subsidiary operating abroad) or foreign division of the Company or (B) the Levi Strauss International Retirement Plan for Third Country National Employees or any successor or similar plan maintained by the Company or any member of the Affiliated Group;

(e) A United States citizen locally hired by a foreign subsidiary (including a domestic subsidiary operating broad) or foreign division of a Participating Company;

(f) Not paid on a salary or commission basis;

(g) Covered by an individual employment contract that expressly provides that he or she will not be eligible for membership in the Plan; or

(h) A "leased employee" (as defined in section 414(n) of the Code) who is providing services to a member of the Affiliated Group.

The Board of Directors on a nondiscriminatory basis may designate as an Eligible Employee any person described in (c), (d), (e) or (f) above. Such designation must be made in writing after receiving the advice of counsel.

A person's status as an Eligible Employee will be determined by the Administrative Committee and such determination will be conclusive and binding on all persons.

7. Effective on and after November 26, 1990, Section 2.17 of the Plan, then designated as Section 18.10, was amended to exclude Highly Compensated

Employees as Eligible Employees for purposes of making Member Contributions and for receiving an allocation of Matching Contributions, Nonelective Contributions, Profit Sharing Contributions and Forfeitures under the Plan.

8. Effective before November 21, 1990, Section 2.34 of the Plan, then designated as Section 18.23, read as follows:

> 18.23 "Matching Contributions" means the contribution made by the Participating Companies under Section 4.

9. Effective before November 26, 1990, Section 2.35 of the Plan, then designated as Section 18.24, read as follows:

> 18.24 "Member" means a person who participates in the Plan under Section 2.

10. Effective before July 1, 1991, Section 2.37 of the Plan, then designated as Section 18.12, read as follows:

> 18.12 "Entry Date" means December 1 and June 1 of each Plan Year.

11. Section 2.40 and Section 2.41 of the Plan, then designated as Section 18.28 and Section 18.29, were added to the Plan, effective on and after November 21, 1990.

12. Section 3.5 of the Plan, then designated as Section 2.5, was added to the Plan effective on and after November 26, 1990.

13. Effective before November 21, 1990, Section 5 of the Plan, then designated as Section 4, read as follows:

> SECTION 4. MATCHING CONTRIBUTIONS.
> --------- ----------
>
> 4.1 Amount and Form. The Participating Companies will make a Matching Contribution to the Plan for each Plan Year in an amount equal to 50% of each Member's Member Contributions for such Plan Year which are transferred to Fund C under Section 6.2. The Board of Directors may determine that no Matching Contribution will be made for a particular Plan Year or portion of a Plan Year, or may determine that a lesser Matching Contribution will be made, in view of Company performance and economic and financial conditions prevailing and anticipated at the time. The Board of Directors also may determine in its sole discretion that a greater Matching Contribution will be made for a particular Plan Year or portion of a Plan Year. No Matching Contribution will be made for a Member unless he or she (a) is an Employee on the date as of which a Matching

Contribution is allocated or (b) ceased to be an Employee during the Plan Year after attaining age 55 and completing 15 years of Service, after attaining age 65 or by reason of death and his or her Account has not been distributed under Section 10. Matching Contributions may be made in the form of cash or in the form of shares of Stock, or a combination of both.

4.2 Deposit With Trustee; Crediting Accounts. Matching Contributions for any Plan Year will be paid to the Trustee at the time when Member Contributions are transferred to Fund C under Section 6.2 and will be allocated among Members in proportion to their Member Contributions which are transferred to Fund C. A Member's share of the Matching Contributions will be allocated and credited to the Member's Matching Account as of the earlier of the date the Matching Contributions are made to the Plan or the end of the Plan Year during which the Member made the Member Contributions with respect to which such Matching Contributions are made. Forfeitures arising under Section 10.4 with respect to any Member's Matching Account during a Plan Year will be allocated among other Members as additional Matching Contributions for such Plan Year and credited to such Members' Matching Accounts.

4.3 Curtailment or Distribution of Excess Aggregate Contributions. If any Matching Contributions otherwise allocable to a Member would constitute "excess aggregate contributions" (as defined in section 401(m)(6)(B) of the Code) with respect to a Plan Year, then such matching contributions will be treated in accordance with paragraph (a) or (b):

(a) Such Matching Contributions will not be made to the Plan, if the Matching Contributions have not been made to the Plan as of the date on which such Matching Contributions are determined to constitute excess aggregate contributions, or

(b) Such Matching Contributions (and any earnings on such Matching Contributions) will be distributed to the Member no later than 2-1/2 months after the end of the Plan Year, if such Matching Contributions have been made to the Plan before the date as of which the Matching Contributions are determined to constitute excess aggregate contributions.

14. Effective before January 1, 1993, Section 4.7 of the Plan read as follows:

4.7 Rollover Contributions. An Employee may make a

Rollover Contribution to the Plan in an amount equal to all or part of a previous distribution from a plan that, at the time of the distribution, met the requirements of section 401(a) of the Code. The Rollover Contribution must be made in cash within 60 days after its receipt by the Employee either from the qualified plan or an individual retirement account which meets the requirements of section 408 of the Code. A Rollover Contribution shall be permitted only if the Employee establishes that:

(a) The Rollover Contribution includes no assets other than those attributable to employer contributions, earnings on employer contributions and earnings on employee contributions under plans qualified under section 401(a) of the Code;

(b) Such Contribution includes no assets other than those attributable to a qualified total distribution, as defined in section 402(a)(S)(E)(i) of the Code; and

(c) If the amount was received by the Employee from an individual retirement account, the distribution from such account represented a total distribution thereof.

The Rollover Contribution shall be paid to the Trustee as soon as practicable, credited to the Employee's Rollover Account and invested as described in Section 7. If it is determined that a Member' 5 Rollover Contribution mistakenly failed to qualify under the Code as a tax-free rollover, then the balance in the Member' 5 Rollover Account attributable to the mistaken contribution immediately shall be segregated from all other Plan assets, treated as a nonqualified trust established by and for the benefit of the Member, and distributed to the Member. Such a mistaken contribution shall be deemed never to have been a part of the Plan.

15. Effective before November 26, 1990, the following sentence appeared at the end of Section 6.2 of the Plan, then designated as Section 5.2:

Forfeitures arising under Section 10.5 with respect to any Member's Profit Sharing Account during a Plan Year will be allocated among other Members who are Employees on the last working day of such Plan Year as additional Profit Sharing Contributions for such Plan Year and, subject to Section 5.2, will be credited to such Members' Profit Sharing Accounts.

16. Fund E was added to the Plan, as an investment option under Section 7.1, effective March 1, 1991.

17. Effective before November 21, 1990, Section 7.2 of the Plan, then designated as Section 6.2, read as follows:

> 6.2 Investment of Contributions. A Member's share of any Profit Sharing Contribution and Forfeitures attributable to Profit Sharing Accounts will be deposited in Fund A, Fund B, Fund D and/or Fund H in 25% increments of such Contribution and Forfeitures as directed by the Member in accordance with procedures established by the Administrative Committee. A Member's investment directions for Profit Sharing Contributions and Forfeitures will remain in effect until changed by the Member. If the Member fails to file any investment directions, his or her share of any Profit Sharing Contribution and Forfeitures attributable to Profit Sharing Accounts will be deposited in Fund D. All Matching Contributions will be deposited in Fund C. All Member Contributions initially will be deposited in the Segregated Account. Twice each Plan Year, the Investment Committee will obtain an independent appraisal of the Fair Market Value of Stock. The Investment Committee will notify the Trustee of such Fair Market Value promptly after completion of the appraisal. If the Trustee determines that the Fair Market Value exceeds adequate consideration for Stock within the meaning of section 3(18) of ERISA, all Member Contributions that are invested in the Segregated Account and any earnings on such contributions will be transferred from the Segregated Account to Fund D, and no Matching Contribution will be made with respect to such Member Contributions. If the Trustee determines that the Fair Market Value does not exceed adequate consideration for stock, the Administrative Committee will notify Members of such Fair Market Value and the Company's stockholders of the Trustee's intention to purchase Stock. Each Member who has Member Contributions invested in the Segregated Account will have the opportunity to elect to have such Member Contributions and any earnings on such contributions transferred from the Segregated Account to Fund A, Fund B, Fund C, Fund D and/or Fund H in 25% increments of such Member Contributions and earnings. If a Member files such an election on the prescribed form by the date determined by the Administrative Committee, the Member's Member Contributions that are invested in the Segregated Account and any earnings on such contributions will be transferred to the Fund(s) elected by the Member. If a Member fails to file such an election on the prescribed form by the date determined by the Administrative Committee, the Member's Member Contributions that are invested in the Segregated Account and any earnings on such contributions automatically will be transferred to Fund C. At the time when Member Contributions and earnings are transferred to Fund C, the Participating Companies will make a Matching Contribution under Section 4.1 unless the Board of Directors

determines that no Matching contribution will be made. The Trustee will seek to acquire Stock for Fund C at a price no greater than Fair Market Value to the extent any cash Matching Contributions deposited in Fund C and Member Contributions transferred to Fund C exceed the cash requirements of Fund C as determined by the Administrative Committee. The Trustee may acquire Stock from a party-in-interest or a disqualified person for no more than adequate consideration (as defined in section 3(18) of ERISA) in accordance with the requirements of section 408(e) of ERISA.

If any Member's Member Contributions in excess of the cash requirements of Fund C have not been invested in Stock when the Fair Market Value of Stock is next determined because insufficient Stock was available to the Trustee, the Member may elect to have such Member Contributions and any earnings on such contributions transferred to Fund A, Fund B, Fund D and/or Fund H in 25% increments in accordance with procedures established by the Administrative Committee. In the absence of such an election, the Member Contributions and earnings will remain in Fund C for investment in Stock at the new Fair Market Value to the extent Stock is available. Any Matching Contributions and earnings on such contributions that have not been invested in Stock will remain in Fund C, whether or not the Member elects to transfer the excess Member Contributions to another Fund.

Any Member who requests a distribution of his or her Plan Benefit under Section 10 before a date on which Matching Contributions are made to the Plan will be deemed to have elected not to invest in Fund C such Member's Member Contributions and earnings on such contributions which were held in the Segregated Account immediately before such request.

18. Before May 31, 1991, Member investment directions had to be in increments of 25% of the Member's Accounts.

19. Effective on and after October 29, 1990, Section 7.2 of the Plan, then designated as Section 6.2, was amended to give the Investment Committee the discretion to effect a "Suspension."

20. Before July 1, 1991, the phrase "as of the last day of each quarter during a Plan Year" in Section 7.3 of the Plan, then designated as Section 6.2, was replaced by the phrase "as of the last day of each Quarter."

21. Section 7.4 of the Plan, then designated as Section 6.4, was added to the Plan effective on and after January 1, 1991.

22. Effective before February 28, 1991 clause (i) of Section 7.7 of the

Plan, then designated as section 17.5, read as follows:

> (i) any offer to purchase stock by the Company if it is for purposes of making cash distributions under the Plan.

23. Section 7.7(c) of the Plan, then designated as Section 17.5(b), was added to the Plan, effective on and after February 28, 1991.

24. Effective with respect to Hardship Withdrawals made before August 13, 1990, the final paragraph of Section 9.3 of the Plan, then designated as Section 8.3, was not applicable.

25. The last clause of Section 9.3(a)(vii) became effective for hardship withdrawals made after May 3, 1993.

26. Effective before the issuance of final regulations under section 401(k) of the Code, the Plan provided for hardship withdrawals from Members' Nonelective Accounts.

27. Effective with respect to withdrawals made before November 21, 1990, Section 9.4 of the Plan, then designated as Section 8.4, read as follows:

> 8.4 Withdrawals From Fund C. The portion of a Member's Accounts invested in Fund C may be withdrawn under Section 8.1 or 8.3 at the time when Member Contributions and Matching Contributions are invested in Fund C, but only to the extent the Administrative Committee determines that there is sufficient cash available in Fund C to permit the withdrawal.

28. Effective with respect to withdrawals made before November 21, 1990, Section 9.5 of the Plan, then designated as Section 8.5, read as follows:

> 8.5 Payment of Withdrawals. A Member may request a withdrawal by filing the prescribed form with the Administrative Committee. A withdrawal will be paid in cash soon as reasonably practicable after the Administrative Committee receives the prescribed form and determines that the withdrawal request meets the requirements of Section 8.1, 8.2 or 8.3, as applicable.

29. Effective with respect to withdrawals made before June 25, 1990, Section 9.7 of the Plan, then designated as Section 8.7, read as follows:

> A Member's Accounts will be liquidated to the extent necessary to fund a withdrawal under Section 8.3 in the following order of priority: Post-Tax Account, Rollover Account, Pre-Tax Account, Profit Sharing Account and Matching

Account. Within a Member's Profit Sharing Account, the portion attributable to amounts which the Member could have elected to receive in cash under Section 5.2 will be liquidated only after the balance of the Member's Vested Interest in his or her Profit Sharing Account has been liquidated. Within any Account, amounts invested in each Fund will be liquidated in the following order of priority: Fund D, Fund B, Fund H and Fund A. If the Investment Committee determines that it is not feasible for the Trustee to prudently liquidate the necessary amount invested in any Fund in accordance with Members' withdrawal requests, the Investment Committee will so advise the Administrative Committee which will direct that such steps be taken as it considers necessary or desirable for the protection of Members' Accounts, including the reordering of liquidation priorities or a pro rata reduction in the amount of each Member's withdrawal.

30. Effective with respect to withdrawals made after June 25, 1990, but before November 21, 1990, Section 9.7 of the Plan, then designated as Section 8.7, read as follows:

> 8.7 Source of Withdrawals. A Member's Accounts will be liquidated to the extent necessary to fund a withdrawal under Section 8.3 in the following order of priority: Post Tax-Account (excluding any portion of such Account held in Fund C or the Segregated Account within Fund D), Rollover Account, Pre-Tax Account (excluding any portion of such Account held in Fund C or the Segregated Account within Fund D), the portion of the Member's Profit Sharing Account attributable to amounts which the Member could have elected to receive in cash under Section 5.2, the portion of the Member's Post-Tax Account held in the Segregated Account within Fund D, the portion of the Member's Pre-Tax Account held in the Segregated Account within Fund D, the portion of the Member's Post-Tax Account held in Fund C, the portion of the Member's Pre-Tax Account held in Fund C, the balance of the Member's Profit Sharing Account, the Matching Account and the Nonelective Account. Except as provided above, within any Account, amounts invested in each Fund will be liquidated in the following order of priority; Fund D, Fund B, Fund H and Fund A.

31. Effective before April 1, 1990, Section 10.1(a) of the Plan, then designated as Section 9.1(a), read as follows:

> (a) Profit Sharing Account. A Member may borrow an amount from his or her Profit Sharing Account not exceeding 100% of the Member's Vested Interest in such Account. Such a loan will be permitted only if the Administrative Committee determines that (i) the proceeds of the loan will be used to

acquire, construct or rehabilitate the Member's primary residence, or to refinance any loan or loans previously made to the Member by a third party for any of the foregoing purposes; or (ii) such loan is required by the Member for reasons set forth in Section 8.3(g).

32. Effective before March 1, 1991, Section 10.1(b) of the Plan, then designated as Section 9.1(b), read as follows:

(b) After-Tax, Pre-Tax, Matching and Rollover Accounts. Effective on and after a date determined by the Administrative Committee and announced to Members, a Member may borrow an amount from his or her Post-Tax Account, Rollover Account, Matching Account and/or Pre-Tax Account not exceeding 100% of the balance credited to such Accounts. A loan from the Member's Pre-Tax Account will be permitted only if the Administrative Committee determines that the Member is Totally and Permanently Disabled or that the proceeds will be used for a purpose described in Section 8.3(a) through (f).

33. Effective before April 1, 1990 Section 10.1(d) of the Plan, then designated as Section 9.1(c), read as follows:

(c) Additional Limitations. No loan will be permitted from the portion of any Account invested in Fund C. No loan will be granted to the extent it would cause the aggregate balance of all loans a Member has outstanding under the Plan to exceed the least of (i) $50,000, less the amount by which such aggregate balance has been reduced by repayments of principal during the one-year period ending on the day before the new loan is made; (ii) 50% of the Member's Vested Interest in all of the Member's Accounts; or (iii) the amount that can be repaid with level monthly payments, including interest, equal to 15% of the Member's monthly base Compensation. The amount of any loan will be a multiple of $100 and will not be less than $1,000. In addition, only 2 loans to a Member may be outstanding at any time, and a Member may apply for a loan no more than twice in any Plan Year.

34. Effective before April 1, 1990 Section 10.2 of the Plan, then designated as Section 9.2, read as follows:

9.2 Terms of Loans. All loans will be on such terms and conditions as the Administrative Committee may determine, provided that all loans will:

(a) Be made under a promissory note secured by (i) the residence that the Member acquires, in the case of a loan from the Member's Profit Sharing Account, and (ii) the Account(s) that funded the loan;

(b) Be subject to a substantially level payment schedule, as determined by the Administrative Committee, with payments to be made at least quarterly and whenever possible to be made through semi-monthly payroll deductions;

(c) Bear interest at a fixed rate determined by the Administrative Committee based upon the prime interest rate in effect at a commercial bank as of the first day of December, March, June or September immediately preceding the date on which the loan is approved, plus 1%; and

(d) Provide for repayment in full, whether from the Member's Accounts or otherwise, on or before the earlier of (i) 5 years after the date the loan is made (15 years after the date the loan is made if the loan is used to acquire the Member's principal residence) or (ii) the date the Member's Plan Benefit is distributed under Section 10.

35. Effective for the Period beginning April 1, 1990, and ending November 20, 1990, Section 10.2 of the Plan, then designated as Section 9.2, read as follows:

9.2 Terms of Loans. All loans will be on such terms and conditions as the Administrative Committee may determine, provided that all loans will:

(a) Be made under a promissory note secured by

(i) the residence of the Member, in the case of a loan under Section 9.1(a)(i) or, to the extent agreed upon by the Member and the Administrative Committee, in the case of the loan under 9.1(a)(ii) for reasons set forth in 8.1(b); and

(ii) the Account(s) that funded the loan to the extent that such Account(s) funds the loan; provided, however that:

(A) in the case of a loan made on or after April 1, 1990, under 9.1(a)(i), or a loan made under 9.1(a)(ii) and secured by the Member's residence, the Plan's security interest in the Member's Profit Sharing Account will not extend to the portion of such Account attributable to amounts which the Member could have elected to receive in cash under Section 5.2 ("Elective Profit Sharing Contributions"); and

(B) in the case of any other loan made under Section 9.1(a)(ii), the promissory note with respect to such loan will be secured by portions of the

Account other than Elective Profit Sharing Contributions only to the extent that the amount of such loan exceeds the amount of Elective Profit Sharing Contributions available to secure such promissory note;

(b) Be subject to a substantially level payment schedule, as determined by the Administrative Committee, with payments to be made at least quarterly and whenever possible to be made through semi-monthly payroll deductions; provided, however, that in the event that payments are not made for a period of up to 90 days due to the Member's temporary absence from active work, such payments may be made (i) in a single sum after the Member returns to active work, (ii) ratably over the remaining period of the loan, (iii) in a single sum together with the final payment provided for under the note, or (iv) in another manner mutually agreed upon by the Member and the Administrative Committee;

(c) Bear interest at a fixed rate determined by the Administrative Committee based upon the prime interest rate in effect at a commercial bank as of the first day of December, March, June or September immediately preceding the date on which the loan is approved, plus 1%; and

(d) Provide for repayment in full, whether from the Member's Accounts or otherwise, on or before the earlier of (i) 5 years after the date the loan is made (15 years after the date the loan is made if the loan is used to acquire the Member's principal residence) or (ii) the date the Member's Plan Benefit is distributed under Section 10.

36. Effective November 21, 1990, Section 10.2 of the Plan, then designated as Section 9.2, was amended to read as set forth in this amended and restated Plan.

37. Effective with respect to loans made before March 1, 1991, Section 10.3 of the Plan, then designated as Section 9.3, read as follows:

9.3 Source of Loans; Application of Loan Payments. As of the first day of the month following the date the Administrative Committee approves a loan, the amount of the loan will be paid to the Member from the vested portion of the Member's Accounts that are being used to fund the loan, in the following order of priority: Post-Tax Account, Rollover Account, Pre-Tax Account, Profit Sharing Account, and the portion attributable to amounts which the Member could have elected to receive in cash under Section 5.2 will be used to fund a loan only after the balance of the Member's Vested Interest in his or her Profit Sharing Account has been so used. Amounts invested in Fund A, Fund B and Fund H will be liquidated and transferred to Fund D for disbursement from

Fund D. for disbursement from Fund D. If less than the entire amount of any Account is required to fund the loan, amounts invested in the Funds will be liquidated to fund the loan in the following order of priority: Fund D, Fund B, Fund H and Fund A. If the Investment Committee determines that it is not feasible for the Trustee to prudently liquidate the necessary amount invested in any Fund in accordance with Members' loan requests, the Investment Committee will so advise the Administrative Committee which will direct that such steps be taken as it considers necessary or desirable for the protection of Members' Accounts, including the reordering of liquidation priorities or a pro rata reduction in the amount of each Member's loan. The promissory note executed by the Member will be deposited in the Member's Account(s) that funded the loan. Principal and interest payments will be credited to the Member's Account(s) that funded the loan and invested in Fund D.

38. Effective with respect to loans made before November 26, 1990, the second to last sentence of Section 10.4 of the Plan, then designated as Section 9.4, read as follows:

> If an involuntary withdrawal from the Member's Profit Sharing Account is declared, the Member's Vested Interest in such Account will be determined as provided in Section 12.2.

39. Effective before November 26, 1990, Section 11.1(a) of the Plan, then designated as Section 10.1(a), read as follows:

> (a) A Member's Vested Interest in his or her Pre-Tax Account, Post-Tax Account and Rollover Account (if any) will be 100% at all times. Except as provided in Section 10.1(c), a Member's Vested Interest in his or her Matching Account will be 100% at all times.

40. Effective before November 26, 1990, Section 11.1(b) and (c) of the Plan, then designated as Section 10.1(b) and (c), read as follows:

> (b) A Member's Vested Interest in the portion of his or her Profit Sharing Account attributable to amounts which the Member could have elected to receive in cash under Section 5.2 will be 100% at all times. The Member's Vested Interest in the remainder of his or her Profit Sharing Account will be 100% if the Member attains age 65 as an Employee, dies while an Employee or becomes Totally and Permanently Disabled while an Employee. Until a Member's Vested Interest in the remainder of such Account becomes 100% under the preceding sentence, the Member's Vested Interest in the remainder of such Account will be determined according to the following schedule based on the Member's completed Years of Service:

<TABLE>
<CAPTION>

Completed Years of Service	Vested Interest
<S>	<C>
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

</TABLE>

(c) If the Administrative Committee determines that any Member who has not reached age 65 and who has completed less than 5 Years of Service engaged in any act of misconduct while an Employee, the Member will have no Vested Interest in his or her Matching Account and the Member's Vested Interest in his or her Profit Sharing Account will consist solely of the amounts described in the first sentence of Section 10.1(b). The balance of such Accounts will be forfeited under Section 10.5.

41. Effective before November 26, 1990, Section 10.2 of the Plan read as follows:

10.2 Vesting After Prior Withdrawals or Distributions. Section 10.1(b) will be applied as set forth in the following sentence in the case of any Member who received one or more prior withdrawals or distributions from his or her Profit Sharing Account under Section 8, 9.4 or this Section 10, who subsequently remained an Employee or was rehired as an Employee and whose Vested Interest in the entire Profit Sharing Account is not yet 100%. The Member's Vested Interest in such Account will be determined by first applying the appropriate percentage under the schedule in Section 10.1(b) to the sum of the value of such Account plus the aggregate value of the Member's prior withdrawals or distributions from such Account, and then subtracting the aggregate value of such prior withdrawals or distributions.

42. Effective before November 26, 1990, Section 10.5 of the Plan read as follows:

10.5 Forfeitures. If a Member ceases to be an Employee during a Plan Year and is not rehired as an Employee on or before the date the Member incurs a 1-year Service Break, then the portion of the Member's Profit Sharing Account in excess of the Member's Vested Interest will become a

Forfeiture as of such date.

43. Effective before August 6, 1990, Section 11.5(a) of the Plan, then designated as Section 10.7(a), read as follows:

(a) Monthly installments over a period not exceeding the reasonable life expectancy of the Member (or Beneficiary), as determined under the mortality table specified in Appendix B to the Revised Home Office Pension Plan of Levi Strauss & Co. The amount of each installment will be determined by dividing the value of the portion of the Plan Benefit remaining in the Trust Fund by the number of installments elected less the number of installments already paid.

44. Effective before August 1, 1989, Section 12.2 of the Plan, then designated as Section 15.2, read as follows:

15.2 Combined Limitation on Benefits and Contributions. Except as otherwise permitted under ERISA, the Tax Equity an Fiscal Responsibility Act of 1982 and the Tax Reform Act of 1986, the sum of a Member's defined benefit plan fraction and his or her defined contribution plan fraction will not exceed 1.0 with respect to any Plan Year. For purposes of this Section 15.2, the terms "defined benefit plan fraction" and "defined contribution plan fraction" will have the meaning given to such terms by section 415(e) of the Code and the regulations thereunder. If a Member would exceed the above limitation, then such Member's benefits under any qualified defined benefit plan(s) that may be maintained by the Affiliated Group will be reduced as necessary to allow his or her Annual Additions to equal the maximum permitted by law and the Plan.

45. Effective before November 21, 1990, Section 12.3 of the Plan, then designated as Section 15.3, read as follows:

15.3 Disposition of Excess Annual Additions. Any Annual Additions under this Plan that cannot be allocated to a Member because of the limitation described in Section 15.1 will be processed as follows:

(a) Profit Sharing Contributions and Forfeitures attributable to Profit Sharing Accounts that cannot be allocated to the Member will be deducted from the amount of Profit Sharing Contributions which otherwise would be made under Section 5, but such reduction will not affect the amounts allocable under Section 5.3 to Members whose Profit Sharing Contribution component of Annual Additions is not reduced.

(b) Matching Contributions and Forfeitures attributable to Matching Accounts that cannot be allocated to the Member will be deducted from the amount of Matching Contributions which otherwise would be made under Section 4, but such reduction will not affect the amounts allocable under Section 4.2 to Members whose Matching Contribution component of Annual Additions is not reduced.

(c) Post-Tax Contributions made by the Member (increased by any income or reduced by any losses allocable to such Contributions) will be returned to the Member in cash.

(d) Pre-Tax Contributions made by the Member will be reduced under Section 3.4. Any Pre-Tax Contributions that cannot be handled in accordance with Section 3.4 will be credited to a suspense account on behalf of the Member. All amounts credited to such account will be treated as Pre-Tax Contributions for successive Plan Years and will be allocated annually to the Member under Section 3 (to the extent such allocation is not prohibited by Section 15.1) until exhausted. No gains or losses will be credited to such account and no additional Pre-Tax Contributions, Matching Contributions or Profit Sharing Contributions will be made by or on behalf of the Member so long as any amount remains in such account.

46. Effective before November 21, 1990, Section 13.1 of the Plan, then designated as 11.1, read as follows:

11.1 Contributions. The Administrative Committee will make arrangements for the collection of Member Contributions as provided in Section 3. The Company will cause the Participating Companies to make Matching Contributions and Profit Sharing Contributions to the Plan as provided in Sections 4 and 5.

47. Effective before November 21, 1990, Section 18.3 of the Plan, then designated as Section 14.3, read as follows:

14.3 Effect of Termination. Upon termination of the Plan, no assets of the Plan will revert to any Participating Company or be used for, or diverted to, purposes other than the exclusive purpose of providing benefits to Members and Beneficiaries and of defraying the reasonable expenses of termination. Upon termination of the Plan or upon complete discontinuance of contributions, the Vested Interest of each Member in his or her Matching Account and entire Profit Sharing Account will be 100%. (Each Member's Vested Interest in his or her Pre-Tax Account, Post-Tax Account and Rollover Account is 100% at all times.)

48. Effective before November 21, 1990, Section 20.2 of the Plan, then designated as paragraph (b) in Appendix A, read as follows:

> (b) Minimum Allocations. For any Plan Year during which the Plan is a Top-Heavy Plan, the Pre-Tax Contributions, Matching Contributions, Profit Sharing Contributions and Forfeitures allocated under this Plan and employer contributions and forfeitures allocated under any other defined contribution plan of the Aggregation Group on behalf of any Member who is employed on the last regularly scheduled working day of the Plan Year and who is not a Key Employee will not be less than a percentage of the Member's Total Compensation equal to the lesser of (i) 3%; or (ii) the percentage equal to the largest percentage that any Key Employee for that Plan Year receives of Pre-Tax Contributions, Matching Contributions, Profit Sharing Contributions and Forfeitures allocated on behalf of that Key Employee's Total Compensation for that Plan Year as limited by (e) below. The minimum allocation will be determined without regard to any contributions made or benefits available under the Federal Social Security Act.

49. Effective before November 21, 1990, Section 20.2 of the Plan, then designated as Section 17.7, read as follows:

> 17.7 Return of Contributions. All Pre-Tax Contributions, Matching Contributions and Profit Sharing Contributions are expressly conditioned upon the deductibility of such Contributions under section 404 of the Code. If the deduction of any such Contribution is disallowed, then the amount for which a deduction is disallowed will be returned to the appropriate Participating Company within 12 months after the date of the disallowance. In addition, if any Member Contribution, Matching Contribution or Profit Sharing Contribution is made as a result of a mistake of fact, such Contribution may be repaid to the appropriate Participating Company within 12 months after it is made. Any such Contribution returned under this Section 17.7 will be reduced to reflect losses but will not be increased to reflect gains or income. Any Member Contribution returned under this Section 17.7 will be paid to the Member from whom it was withheld.

50. Effective for the period beginning January 1, 1990 and ending July 16, 1990, Appendix C to the Plan, read as follows:

> As of January 1, 1990, Members will not make Member Contributions as Pre-Tax Contributions.

51. Effective on and after July 17, 1990, Appendix C to the Plan read as

follows:

As of January 1, 1990, Members will not make Member Contributions as Pre-Tax Contributions; provided, however, that after July 16, 1990, such provision will not apply to any Member who is not a "Highly Compensated Employee," within the meaning of section 414(q) of the Code.

EMPLOYEE INVESTMENT PLAN OF
LEVI STRAUSS ASSOCIATES INC.

APPENDIX B

BLACKOUT PROVISIONS

1. In General. Any person or entity authorized to amend the Plan, or any person or entity designated in writing by such person or entity (the "Blackout Coordinator"), may establish a Blackout Period, as defined below, in the event that the Blackout Coordinator determines that such a Blackout Period is necessary or appropriate in the administration of the Plan.

2. Definitions.

(a) A Blackout Period is a period of time during which Affected Requests shall not be processed or effected.

(b) An Affected Request is any of the following requests by a Member (or Beneficiary) for an action or an event under the Plan, or any of the following Plan functions or events:

(i) Reinvestment of Accounts pursuant to Section 7 of the Plan;

(ii) Valuation of Accounts and distribution of statements pursuant to Section 8 of the Plan;

(iii) Withdrawals pursuant to Section 9 of the Plan;

(iv) Loans pursuant to Section 10 of the Plan; and

(v) Distribution of Plan Benefits pursuant to Section 11 of the Plan.

In addition, the Blackout Coordinator, in its declaration of the Blackout Period or in any supplementary action regarding the Blackout Period, may designate as Affected Requests any other requests by a Member (or Beneficiary) or other Plan functions or events which are otherwise allowed or

provided for under the Plan, or may declare that specified requests or Plan functions or events encompassed by (b)(i)-(v) above shall not constitute Affected Requests, for all or a designated portion of the Blackout Period.

3. Duration. The duration of the Blackout Period shall be determined by the Blackout Coordinator, in its sole discretion.

4. Effect of Blackout Period. Affected Requests will be held by the Administrative Committee until the end of the Blackout Period. At the end of the Blackout Period, the Administrative Committee shall reconfirm the Member's (or Beneficiary's) eligibility for or desire with respect to any Affected Request which had been submitted by such Member (or Beneficiary), but which had not been processed as a result of the Blackout Period. Other Plan functions or events which would have occurred if not for the Blackout Period, will be processed automatically after the expiration of the Blackout Period.

EMPLOYEE INVESTMENT PLAN OF
LEVI STRAUSS ASSOCIATES INC.

APPENDIX C

FUNDS

- - Fidelity Money Market Trust: Retirement Money Market Portfolio

- - Fidelity Investment Grade Bond Fund

- - Fidelity Asset Manager: Income

- - Fidelity Asset Manager

- - Fidelity Asset Manager: Growth

- - Fidelity Magellan Fund

- - Fidelity Contrafund

- - Fidelity Overseas Fund

- - Sponsor Stock Fund

The Fund designated as the Holding Account referenced in Section 7.1 shall be the Fidelity Retirement Government Money Market Portfolio.

The Fund designated as the Fund to receive contributions for which no

proper Member investment direction has been received shall be the Fidelity Retirement Government Money Market Portfolio.

EMPLOYEE INVESTMENT PLAN OF

LEVI STRAUSS ASSOCIATES INC.

APPENDIX D

ADDITIONAL ELIGIBLE WITHDRAWALS AND LOANS

In accordance with Sections 9.3(a)(viii), 9.3(b)(ii)(B) and 10.1(a)(iii), losses relating to natural disasters described herein may form a basis for withdrawals or loans.

1. (a) Description of Natural Disaster.

(b) Limitations.

Exhibit 10ii

MATERIALS HANDLING SYSTEM AGREEMENT

between

COMPUTER AIDED SYSTEMS, INC.

and

LEVI STRAUSS & CO.

TABLE OF CONTENTS

MATERIALS HANDLING SYSTEM AGREEMENT

THIS IS A MATERIALS HANDLING SYSTEM AGREEMENT dated October 31, 1994, between COMPUTER AIDED SYSTEMS, INC., a California corporation ("CASI"), and LEVI STRAUSS & CO., a Delaware corporation ("LS&CO.").

B A C K G R O U N D

A. CASI designs, builds and installs an integrated automated materials handling system it calls the Flexmaster(R) system. That system consists of various equipment components, designed and built by CASI, driven by proprietary software developed by CASI.

B. LS&CO. is the world's largest apparel manufacturer. It is, as part of an extensive reengineering of its North American operations, building new product distribution centers (known as "customer service centers" or "CSCs") in Henderson, Nevada and Hebron, Kentucky. It is also retrofitting an existing CSC in Canton, Mississippi. Timely and successful completion of the CSC work is critical to the success of the reengineering effort.

C. LS&CO. for some months studied available materials handling technologies for use in its new CSCs. It examined various alternatives and concluded that the Flexmaster(R) system would likely best meet LS&CO.'s needs. LS&CO. also concluded, however, that its requirements, including those relating to volumes, SKUs, customer order profiles, value-added services capability and worker wellness, could not be met by the Flexmaster(R) system without changes to that system.

D. In 1992, LS&CO. (with its consultant, Andersen Consulting) and CASI began discussing the use of the Flexmaster(R) system in these new CSCs. They concluded that LS&CO. should fund CASI's research and development of a system (known as the "Quic System 2020") intended to meet LS&CO.'s requirements, with the objective of installing that system in the new CSCs. In March 1993, LS&CO. and CASI signed the first of a series of "interim agreements" providing for that activity and current funding. CASI did and is doing that work, and LS&CO. paid and is paying for it. CASI also is working with LS&CO. and Fluor Daniel, Inc., LS&CO.'s general contractor for the new CSC buildings and project manager, in analyzing CASI's resources, and on various "long-lead" time aspects of the project.

E. CASI and LS&CO. have not, however, prepared a comprehensive description of CASI's work going forward. That is the purpose of this Agreement.

CASI AND LS&CO. AGREE AS FOLLOWS:

1. Definitions

Certain terms used in this Agreement are defined in the Glossary accompanying this Agreement. The Glossary also identifies sections of this Agreement where other terms are defined.

2. Project and Document Overview

2.1 Basic Transaction. CASI will develop, design and build, and then install and support, on a concurrent, parallel basis, the Kentucky System, the Nevada System and the Mississippi System, and will develop and license to LS&CO. the Licensed Software. In exchange, LS&CO. will pay CASI the amounts specified in Section 9. CASI is to perform its Work in the manner and on the Project Schedule contemplated by this Agreement.

2.2 Importance of the Project

(a) The Project is enormously important to both CASI and LS&CO. For CASI, successful execution of a high-visibility project for the world's largest apparel company could propel its growth and presence in the logistics community and create substantial value for its shareholders. It could be a showcase for the Flexmaster(R) system (particularly for CASI's Mandate(R) software) and the genesis of new projects arising out of a relationship with FD, one of the world's largest engineering and construction firms. For LS&CO., successful execution is essential in order for it to meet the customer service requirements that are at the heart of its North American reengineering effort. The work could help establish LS&CO. as an operational as well as marketing leader in the industry.

(b) The scale and importance of the Project create corresponding risks and exposures for both CASI and LS&CO. CASI has never executed a multi-site project. Materials handling is its only business. The Project is the principal source of CASI's cashflow. Satisfaction of LS&CO. business requirements require research and creation of material flow and work processes and development of custom software. The Buildings are being "designed around" the System; a mid-stream change to a different material handling system would have enormous out-of-pocket and business disruption costs to LS&CO.

(c) With these factors in mind, CASI and LS&CO. developed the working arrangement described in this Agreement, including the rules relating to software development, access and protection, payment, interactions with FD and completion of the Project should difficulties arise. A principal objective is the correlation and application of the combined resources and energies of CASI, LS&CO. and FD toward successful completion of the Project.

2.3 This Document. This Agreement is the comprehensive statement of the agreement between CASI and LS&CO. The Agreement consists of both its text and its exhibits:

- Section 3 of this Agreement describes CASI's scope of work and basic performance and installation obligations. Section 4 focuses on software development and licensing. Section 5 describes the procedure for changing CASI's work or schedule. Section 6 describes FD's role and the interactions among FD, CASI and LS&CO. Section 7 reviews individual System acceptance procedures. Section 8 is about spare parts. Section 9 describes CASI's compensation and the mechanics of payment. Section 10 contains CASI's warranty and addresses post-acceptance support. Section 11 describes insurance requirements, indemnification and remedial matters. Section 12 contains other representations, warranties and agreements. Section 13 relates to certain financial and ownership matters. Section 14 describes confidentiality obligations. Section 15 contains termination, project completion and "freedom from obligations" provisions. Finally, Section 16 contains more general contractual administration and interpretation and "boilerplate" provisions.

- The exhibits contain a technical description of the System, including functional requirements and the specific components and requirements for each of the Kentucky, Nevada and Mississippi Systems. They also include the Project Schedule and information about Building access, Vendors, testing and acceptance, payment mechanics and other matters relating to CASI and the Project.

This Agreement terminates and replaces the existing Letter Agreements and is intended to apply to all work already performed, and the Work to be performed, by CASI.

3. Scope of Work and Performance

3.1 Basic Scope. CASI shall continue the design, engineering and fabrication of each System, including the continuing research and development of individual System design and the Licensed Software, and shall install, inspect, test and service each System, all in accordance with this Agreement (the "Work"). By the Project Final Acceptance Date, CASI shall have turned over to LS&CO. Systems meeting the applicable Completion Criteria. The remainder of this Section 3 provides more detail about CASI's responsibilities and focuses on management, procurement and Equipment and Hardware installation activities. Software development, testing, documentation and installation are of course critical components of CASI's

scope; they are addressed in Section 4. CASI's obligations (for example, those described in Section 3.2(b) and 3.3) are subject to adjustment through the process described in Section 5.

3.2 Responsibility and Dedication

(a) CASI shall perform all of the Work in a good and workmanlike manner, in accordance with the standards for projects of similar design and complexity and with applicable laws, including those relating to occupational safety and health, and in accordance with the Project Schedule. It shall be solely responsible for the management, planning, techniques, sequences, procedures, means, timing and coordination of the Work. It shall be solely responsible for studying and understanding the location and design of each Building and the conditions under which it will perform the Work, and for planning and performing the Work in light of those conditions.

(b) Except for (i) design and production work for GAP Inc. (or any affiliate of GAP Inc.) as part of CASI's support obligations to GAP Inc. (which CASI represents will not affect the Work or its ability to meet the Project Schedule) or (ii) work performed for any LS&CO. affiliate, CASI will not without LS&CO.'s prior written approval: (A) undertake any design work for anyone other than LS&CO. until the design element of the Work is completed or (B) undertake any in-house production of Equipment or Hardware components for anyone else until CASI has completed all vertical transfer units and insert/extract units for all three Systems. (These rules, as are those described in Section 3.3, may be changed or "relaxed" as contemplated by Sections 5.3 and 15.4.)

3.3 Staffing. CASI shall supply all the managers, supervisors and laborers for the Work. In particular, the CASI employees identified in Exhibit P shall work on the Project "full time" or "LS&CO. Priority 1" (as so indicated in that exhibit) until their respective elements of the Work are completed; CASI shall not replace or reassign them without first obtaining LS&CO.'s approval. CASI shall replace any (not just "key") employees whom LS&CO. identifies as unsatisfactory if that employee continues to be unsatisfactory after a 30-day corrective period and shall advise LS&CO. of any replacements; this activity shall not affect LS&CO.'s rights under Section 15.5. Additional requirements relating to employment matters are contained in Sections 3.8(d) and 16.14.

3.4 Vendors

(a) CASI may use and is using Vendors for certain portions of the Work; indeed, Work to be performed by Vendors represents approximately 51% of the total cost of the Work. Those Vendors with commitments in excess of $4 million ("Major Vendors") are identified on Exhibit K. CASI is fully responsible for the work and activities of its Vendors and for their failure to perform. If any Vendor does not adequately prosecute or perform its duties, CASI will at LS&CO.'s request and at CASI's cost replace that Vendor and otherwise see that the Work is properly completed. CASI shall furnish to LS&CO. in writing the names of, and will not retain unless LS&CO. approves,

any other Vendors proposed for "Major Vendor" roles.

(b) CASI's Major Vendor Agreements shall be in writing. Vendor Agreements with Major Vendors shall: (i) contain appropriate warranty, confidentiality, insurance and indemnification provisions and (ii) provide for assignment of the Vendor Agreement to LS&CO. as contemplated by Section 15.6. CASI has provided to LS&CO. a form of amendment to the Vendor Agreements for the Major Vendors and represented to LS&CO. that it will use its best efforts to obtain approval of the amendment from the Major Vendors and that, upon approval, the amendment will "govern" and "control" the matters described in clauses (i) and (ii) for the respective terms of those Vendor Agreements. On that basis, and assuming the amendment is approved by all Major Vendors in the form provided to LS&CO., LS&CO. confirms that the Vendor Agreements for the Major Vendors will satisfy these requirements in all material respects. CASI shall give LS&CO. a copy of any proposed or existing Vendor Agreement (with the price deleted). CASI shall also give LS&CO. all service manuals, operating instructions, warranties (to the extent transferable, in the case of non-Major Vendors) and the like received from each Vendor relating to System components upon completion by that Vendor of its work.

3.5 Deviations from Basic System Documents. CASI shall design, build and install the Systems described in the Basic System Documents. LS&CO.'s approval of Basic System Documents shall not relieve CASI of any obligations under the Agreement, or be considered an assumption of responsibility by LS&CO. for the accuracy or adequacy of CASI's inputs into those materials. CASI shall not deviate materially from the Basic System Documents without prior written approval from LS&CO. through the Change Order process described in Section 5. CASI shall tell LS&CO. about those immaterial changes.

3.6 Design Coordination. FD is designing and constructing, and is responsible for, each Building. CASI shall interact with FD in coordinating each System's design with each Building's design and construction. For example, CASI shall timely communicate to FD its requirements with respect to design and construction matters that are LS&CO.'s or FD's responsibility, including field surveys, elevations and baselines; excavations, drainage and foundations; loads; Building support and suspension of System components; electricity, water and lighting; floor, roof and wall opening; conduit and wiring and the like. Any changes to the design or construction of a Building or a System resulting from CASI's providing incorrect or incomplete information shall be at CASI's cost and expense.

3.7 Shipments and Deliveries. CASI shall perform and have full responsibility for purchasing, estimating quantities and material take-offs. At each Building, it shall promptly unload shipments, store them in approved locations and deliver from storage materials as needed. It shall keep appropriate records of all shipments. As explained in Section 6, FD will assist CASI in meeting its procurement needs and is responsible for arranging all shipments to the Buildings of materials and equipment used by CASI.

3.8 Work-site Activities

(a) Coordination of activities at the three work sites is essential to the efficient and timely completion of the Project. To that end, CASI shall interact and cooperate with FD in coordinating CASI's storage, material flows and installation activities, and shall comply in all material respects with FD's work site general conditions. For example, as it will with others supplying materials and services, FD may assign reasonable work areas to CASI. CASI shall cooperate with FD in sequencing CASI's activities on site in order to minimize interference with other activities at the site. CASI shall confine its operations to the assigned areas, and shall provide and pay for any off-site space it may desire. CASI shall keep each of its work areas free from the accumulation of waste materials and rubbish caused by its operations. CASI's Building access requirements are contained in Exhibit I. Exhibit G contains additional information about worksite activities.

(b) CASI shall inspect all Work performed by CASI and any of its Vendors. It shall at its expense reject all defective Work, materials or equipment, correct them and remove defective materials from the work sites.

(c) CASI shall supply and maintain all of its installation equipment. All of it must be in proper operating condition, suitable for the safe and efficient performance of the Work. CASI shall provide safe and convenient storage space for all of its tools and equipment.

(d) CASI shall be responsible for the safety of its employees and Vendors. It shall comply with all applicable provisions of federal, state and municipal safety laws, including, without limitation, the Occupational Safety and Health Act of 1970. It shall comply with FD's safety program, including substance testing of all individuals on the work sites. If CASI believes that there is an unsafe working condition which is caused by FD or by one of FD's subcontractors, CASI shall report it to FD.

(e) CASI shall conduct its Work in a manner to avoid the risk of loss, theft, or damage by vandalism, sabotage or any other means at each Building, including continuing inspection and correction of any deficiencies. In addition, CASI shall comply with LS&CO.'s and FD's security requirements for the Buildings.

(f) CASI shall obtain all installation and other licenses, permits and inspections necessary for its Work. CASI shall not, under any circumstances, cause or permit the discharge, emission or release of any hazardous substance and/or waste, pollutant, contaminant or other substance in violation of any applicable laws. CASI shall be responsible for compliance with all hazardous waste, health and safety, notice, training, and environmental protection laws, rules, regulations and requirements applicable to the Work. CASI shall report to the appropriate governmental agencies all discharges, releases and spills of hazardous substances and/or wastes required to be reported by CASI by law and shall immediately notify LS&CO. of these incidents.

(g) CASI may ship extra material to each work site at its expense. Surplus material shall remain CASI's property; CASI shall remove it within a reasonable time after completion of installation at that site.

4. Software and System Design

4.1 Software Development. CASI shall develop the Licensed Software in accordance with the development plan attached as Exhibit Y and the Licensed Software Specifications to be delivered as described in Exhibit B. It shall do that Work in a good and workmanlike manner using professional personnel and in accordance with the standards for projects of similar design and complexity.

4.2 Viruses. CASI shall not introduce a virus with any software it uses in connection with the development of the Licensed Software. CASI shall also use its best efforts to prevent the introduction of any virus into the Licensed Software. Finally, CASI confirms that none of the Licensed Software shall contain any embedded device or code (for example, a time bomb) that is intended to obstruct or prevent LS&CO.'s use of the Licensed Software in any way, nor will CASI disable LS&CO.'s use of the Licensed Software.

4.3 Licenses, Generally

(a) Sections 4.4, 4.5 and 4.6 explain various "licenses" CASI is granting to LS&CO. Those licenses have these purposes:

- The "Licensed Software Object Code" licenses, in basic terms, permit LS&CO. to "run" the three Systems. They also permit LS&CO. to use the Licensed Software at the Little Rock CSC and, as explained in Section 4.4, at CSCs or other locations operated by LS&CO. anywhere in the world. Finally, they permit LS&CO. to use the Licensed Software to complete the Systems if CASI does not.

- The "Licensed Software Source Code" licenses, in basic terms, permit LS&CO. to use the "source code" in maintaining the Systems, and in completing the Systems if CASI does not.

- Finally, the "Basic System Documents" and "Completion Documents" licenses permit LS&CO. to use the System designs, plan, specifications and drawings to complete the Systems (including Equipment and Hardware as well as Licensed Software) if CASI does not.

Other provisions relate to how LS&CO. learns about the Licensed Software (for

example, through documentation and compilation exercises), how LS&CO. pays for it and how LS&CO. protects it, a subject of great importance to CASI. Finally, the impact on these licenses of a "termination" of this Agreement is explained in Section 15.7.

(b) More explanation about the "operative" language that follows: software license agreements typically recite that a license is "fully-paid" if the licensor grants it free of charge, or if the licensee pays for it in a lump sum and there are no on-going royalties associated with the continuation of the license. Agreements also typically recite that the license is "perpetual" and "irrevocable" or, alternatively, specify an expiration date or termination procedure. Agreements often identify "locations" and "fields of use." LS&CO. and CASI, mindful of the complexity created by the "staged payment" arrangement described in Section 9 and the "Completion Risk Event" concept described in Section 15, believe it more efficient to state, in simple terms, their agreement. To that end:

- All of the licenses granted by CASI to LS&CO. are currently effective. They do not "spring" into effectiveness upon some future event, whether it be completion of development by CASI, full payment by LS&CO. or declaration of a "Completion Risk Event" by LS&CO.

- None of the licenses granted by CASI to LS&CO. are as of the date of this Agreement "fully paid." They will be "fully paid" only when LS&CO. makes the payments required by Section 9.

- None of the licenses permits LS&CO. to use the Licensed Software for any purpose other than for its activities in the wholesale and retail apparel business.

- None of the licenses are "exclusive" to LS&CO. They are all non-exclusive.

- LS&CO. is entitled to use the Licensed Software if CASI installs any System or Systems as contemplated or if LS&CO. installs any System or Systems after declaring a Completion Risk Event, in accordance with Sections 9.3 and 15.

- All of the licenses are "perpetual," in that they do not expire on a fixed date. They are, however, "subject to termination" in the limited cases described in Section 15.7.

These principles apply to the licenses formally "granted" by CASI in Sections 4.4, 4.5 and 4.6; those sections should be so read and understood.

4.4 Object Code License. CASI hereby grants to LS&CO. a license to use the Licensed Software Object Code, the associated end user documentation and future releases actually provided to LS&CO. under Section 10, for LS&CO.'s internal operations at the Kentucky, Mississippi and Nevada CSCs, at the Little Rock CSC (see Section 12.10), and at other LS&CO.-operated locations (including of course Additional Sites), all as reasonably required to use and/or maintain the Licensed Software Object Code.

4.5 Base Code License; Additional Sites

(a) Subject to Section 4.5(b), CASI hereby grants LS&CO. a license to use the Licensed Software Base Code for LS&CO.'s internal operations at other LS&CO.-operated locations, whether in existence today or established in the future, anywhere in the world (together, the "Additional Sites"). As described in Section 10,7, each Software Upgrade purchased by LS&CO. shall be available for use with each System and at Additional Sites for a one-time purchase price.

(b) This license shall be effective with respect to Additional Sites where LS&CO. intends to operate a materials handling system (that is, a new CSC) only if LS&CO. complies with this procedure: LS&CO. shall notify CASI when LS&CO. intends to construct or renovate such an Additional Site using the Licensed Software. If CASI wishes to and so advises LS&CO. within 30 days after receiving that notice, LS&CO. shall negotiate exclusively with CASI, in good faith for a 90-day period after receipt of CASI's notice, to determine if they can reach agreement on CASI's providing any or all of the preliminary materials handling system design and engineering services, hardware design and engineering, fabrication, installation and software customization services for that Additional Site. If they do not in that 90-day period sign a definitive agreement or letter of intent to that effect, then LS&CO. shall be free after that period to negotiate with and retain another party to provide those services or to perform those services itself, and to use the Licensed Software Base Code at the Additional Site. That all said, LS&CO. of course shall not be obligated to initiate these discussions with CASI if during the course of or after the completion of the Project:

- LS&CO. declared a Completion Risk Event;

- any Final Acceptance Date occurred after the date set for that event in the Project Schedule; or

- CASI breached in any material respect any of its material obligations under Sections 3, 4, 6, 7, 8, 9.12, 9.13, 9.14, 10, 11, 12.2, 12.5, 12.7, 12.9, 13.2, 14, 15.8 or 16.14 and, after receiving written notice of the breach from LS&CO., failed to timely cure it, it being understood that LS&CO. shall not be obligated to initiate the discussions if LS&CO. suffered any adverse financial impact as a result of the

breach.

The business rationale for this rule is simple: LS&CO. should not be obligated to work with CASI on an Additional Site project if CASI has not successfully performed the Project.

4.6 Source Code and Basic System Documents

(a) From now through the Project Final Acceptance Date, CASI shall deliver to LS&CO. the most current (final, not working draft) versions of the Licensed Software Source Code, Licensed Software Object Code and Basic System Documents as they become available. Promptly after the Final Acceptance Date for a System, CASI shall provide LS&CO. with an updated user's version of the Licensed Software Source Code and of the Basic System Documents, diagnostics and simulations for that System.

(b) CASI hereby grants LS&CO. a license to use, modify and reproduce the Licensed Software Source Code, the Licensed Software Object Code, the Basic System Documents and the Completion Documents, for purposes of completing development, installation and testing of the Systems after declaration of a Completion Risk Event. Upon LS&CO.'s request, from now until the Project Final Acceptance Date, CASI shall make available to LS&CO., at CASI, the most current versions of the Completion Documents as they become available.

(c) CASI hereby grants LS&CO. a license to use, modify, and reproduce the Licensed Software Source Code as needed: (i) to change parameters and access frequencies within allowable parameters described in the user documentation, provided that LS&CO. shall advise CASI, before or promptly after making the changes, of the settings that are being used to facilitate CASI's support and (ii) to make any other changes to the Licensed Software Source Code, and changes in external access to the Licensed Software Source Code, provided that, in the clause (ii) situation, LS&CO. shall first obtain CASI's written consent before making those changes. LS&CO. must comply with these notice and consent requirements (both clauses (i) and (ii)) only for as long as CASI is providing warranty or maintenance services to LS&CO. under Section 10. As described in that section, compliance by LS&CO. is a condition to CASI's obligations to perform under that section.

(d) Upon CASI's initial delivery to LS&CO. of a complete, fully documented copy of the Licensed Software Source Code or any updated version, CASI shall, at LS&CO.'s request and in the presence of an LS&CO. technical representative, compile the Licensed Software Source Code and test the resulting object code to verify that the Licensed Software Source Code is sufficient and complete. They shall do that work at CASI.

4.7 Protection. LS&CO. shall "protect" the Licensed Software Object Code and Licensed Software Source Code in the manner described in Exhibit S. LS&CO. may, at its option, place the Licensed Software Source Code with a third party experienced in source code escrows and who is approved by CASI, but LS&CO. will have complete power to obtain its release.

Thus, any such arrangement will be a "two-way" escrow between LS&CO. and the escrow agent.

4.8 Patents. CASI shall not: (a) assert against LS&CO. any Intellectual Property Rights, including, without limitation, patent rights arising under any United States or foreign patent now owned by, or later issued or assigned to, CASI, applicable to any System as it exists on its Final Acceptance Date, including the Licensed Software, regardless of whether CASI completes the Work as contemplated by this Agreement or LS&CO. completes installation of the Systems after declaring a Completion Risk Event or (b) require any fees or royalties from LS&CO. based upon any such Intellectual Property Right other than of course those contemplated by Section 9 of this Agreement. A list showing CASI's current patents issued and applied for is attached as Exhibit L.

4.9 Documentation; Disaster Recovery. Software development and installation is critical to the success of the Project. Because of that, CASI must carefully manage development, testing and installation, document its work in a manner such that loss of key personnel would not jeopardize the work and maintain appropriate backup such that a fire, earthquake or the like at CASI's home office would not result in irretrievable loss. To that end, Exhibit T describes documentation requirements and scheduling and CASI's disaster recovery plan. CASI shall meet those requirements and maintain that plan until the Project Final Acceptance Date.

4.10 Interfaces. Development and installation of "interfaces" between the Licensed Software and LS&CO. software also is critical to successful (from LS&CO.'s perspective) completion of the Project. LS&CO., not CASI, shall be ultimately responsible for the performance and outcome of the Interface work. CASI shall cooperate with LS&CO. and its consultants (including, for example, by participating in work sessions) as LS&CO. does that work. Exhibit B describes in more detail CASI's participation and the limitations on its responsibilities. LS&CO. confirms that it, not CASI, shall be responsible to licensors to LS&CO. of software that may be modified as part of the interface work.

5. Changes in the Scope of Work

5.1 General Rule

(a) LS&CO. may order changes in the Work by so advising CASI in writing. Upon request by LS&CO., CASI shall prepare and forward to LS&CO. a proposed "Change Order." It shall contain a description, and if appropriate, feasibility assessment, of the change, a written estimate of related costs and any proposed adjustment in the Compensation or Project Schedule. LS&CO. shall reimburse CASI for the reasonable costs incurred by CASI to prepare Change Orders. LS&CO. shall advise CASI in writing of LS&CO.'s approval or disapproval of the Change Order. If LS&CO. approves it, CASI shall perform the Work as described in the Change Order, and any approved adjustment to the Compensation and the Project Schedule shall become

effective.

(b) As contemplated by Section 3.5, CASI shall deliver the Systems described in the Basic System Documents on the Project Schedule. Prior to making any proposed change in its Work other than as permitted by Section 3.5, or if it believes a change in the Compensation or Project Schedule is appropriate, CASI shall advise LS&CO. in writing that CASI believes a change is necessary. If LS&CO. agrees, LS&CO. shall advise CASI by way of a request for a proposed Change Order and thereafter the Change Order shall be handled as if initiated by LS&CO.

5.2 Effect of Change Orders. LS&CO. assumes no obligation to pay for changes in or additional Work performed by CASI or to adjust the Project Schedule absent an effective Change Order, except for reasonable actions necessitated by risk of injury to person or damage to System components or changes arising from mutually-agreed Force Majeure Conditions. Except for any agreed-upon adjustments, all terms of this Agreement (including, without limitation, those relating to the Project Schedule and the Compensation) shall apply to the Work contemplated by any approved Change Order. Some legal aspects: no Change Order shall release or exonerate in any way the surety on any bond given by CASI or any Vendor in connection with this Agreement, and LS&CO. shall not be required to provide notice to the surety of any change. In addition, no course of conduct between LS&CO. and CASI, nor express or implied acceptance of any change, and no claim that LS&CO. has been unjustly enriched by any alteration or addition to the scope of Work, shall be the basis of any claim by CASI for an increase in the Compensation or a change in the scope of Work or Project Schedule.

5.3 Building-related and Other Project-related Developments. Each party shall promptly advise the other of Building construction delays or other developments at the Buildings or other project-related developments that could materially affect the schedule for the Work or the Compensation, such as suspensions under section 15.4, Force Majeure Conditions and downsizing of the Project. LS&CO. shall thereafter consult with CASI and together they shall mutually determine appropriate changes, if any, to the Project Schedule, Compensation or the nature or sequence of the Work and prepare, if necessary, an appropriate Change Order or action under or amendment to this Agreement. (For example, it may be appropriate for CASI to take on projects it would otherwise be prevented from taking on because of Section 3.2(b), or to reassign or replace employees that it would otherwise be prevented from reassigning or replacing because of Section 3.3.)

6. LS&CO. and FD Role

6.1 FD Background. Since CASI began working with LS&CO. LS&CO. retained FD as general contractor for the construction of the Buildings. Because:

- of the obvious need for effective interaction between CASI and the construction general contractor at both the

design and installation phases of the Project;

- LS&CO., as a shared customer of FD and CASI, views their work as a single deliverable (that is, operating customer service centers); and

- LS&CO. was and is concerned about whether CASI possessed sufficient resources to complete successfully a multi-site installation;

LS&CO., CASI and FD explored various ways of structuring their relationships. For example, CASI and FD discussed joint venture and teaming arrangements, and signed a letter of cooperation; a copy is attached as Exhibit H. FD completed and reviewed with CASI a study of CASI's resources and processes, proposed various means by which FD could assist CASI and developed a compensation arrangement in which FD's compensation from LS&CO. could be tied to CASI's success.

6.2 FD Role

(a) As a result of this work, LS&CO., CASI and FD have agreed to an arrangement, described in Exhibit G, in which FD will act as LS&CO.'s agent and as an additional resource for LS&CO. and CASI on various aspects of the Work. It also contemplates the creation of a "Management Team," comprised of representatives of CASI, LS&CO. and FD, empowered to oversee and coordinate Project-related activities, and to resolve operational problems and conflicts as they may arise. Finally, it provides that FD will be responsible for arranging and tracking CASI and Vendor shipments and transportation of materials and equipment to the Buildings. This arrangement is intended to enable CASI to draw on the resources of FD in completing successfully the Project, to provide LS&CO. with greater assurances about successful and timely installation of the Systems and to directly align the incentives of FD and CASI. In order for this arrangement to work:

- CASI must provide FD with reasonable access to CASI's facilities, personnel and Major Vendors;

- CASI must provide FD with reasonable access, for review purposes, to CASI's drawings, software documentation and other documents;

- FD must provide CASI with assurances about FD's protection of and respect for CASI technology and trade secrets; and

- all participants must approach the interactions as part of the effort to leverage off existing resources and expertise.

CASI and LS&CO. agree to comply with these requirements. They underlie the review, inspection, meeting and assistance arrangements described in Exhibit

G.

(b) That said, CASI is and must remain ultimately responsible for its Work. FD's role shall be to monitor and assist, not to dictate, and (other than as to work-site general conditions as described in Exhibit I and Section 3.8) CASI shall be free to accept or reject FD's suggestions. CASI shall, however, advise the Management Team and LS&CO. of material disputes or difficulties with FD, and participate with LS&CO. and FD in good faith attempts to resolve the problem.

(c) Some "legal" explanation of this arrangement: CASI is an independent contractor. The relationships created by this Agreement are intended to and shall be contractual in nature. This Agreement does not create any partnership, joint venture, employment, agency, fiduciary or other relationship between CASI and LS&CO., or between CASI and FD. (FD, however, is under this Agreement acting as LS&CO.'s "agent.") CASI does not have the ability to bind or act as the representative of LS&CO. or FD. Neither LS&CO. nor FD has the ability to bind or act as the representative of CASI. CASI also, by signing this Agreement, releases FD from and against any claims, demands or causes of action CASI may now or in the future have against FD relating to this arrangement (including particularly FD's role as LS&CO.'s agent), regardless of whether they are based on contract, tort (including negligence), strict liability or other legal theory, except for claims under any separate confidentiality agreement between FD and CASI.

6.3 Inspection

(a) LS&CO. may at all reasonable times inspect the Work, and all material, supplies and equipment for the Work, at each Building and at CASI's and, as CASI will arrange as contemplated by Exhibit G, its Major Vendors', facilities. These inspections, however, will not be intended as first line quality control (that is CASI's responsibility) and shall in no way limit CASI's obligations or otherwise impair LS&CO.'s rights.

(b) LS&CO. may reject defective Work. If so, CASI at its expense shall correct it.

6.4 Meetings . CASI, as requested by LS&CO., shall participate in meetings to discuss the Work. For example, it shall participate in the engineering progress review meetings and in software development review sessions described in Exhibit G, as well as in other meetings (for example, sessions relating to software interface work) requested by LS&CO.) It also shall provide to LS&CO. reports requested by LS&CO. in addition to those submitted to or produced by the Management Team.

7. Acceptance

7.1 Testing. Timely and tightly-planned and executed testing and debugging of each System is essential to Project success. Accordingly, CASI shall, using appropriate senior personnel, test each System in accordance

with the System testing and acceptance plan attached to this Agreement as Exhibit D (the "Testing Plan") and at the times specified in the Project Schedule. As described in that Testing Plan, LS&CO. may participate in all testing and debugging efforts, including physically observing testing activities and reviewing written test results. In all events, CASI shall review test results and debugging plans with LS&CO. and respond adequately to LS&CO.'s criticisms or suggestions. CASI shall correct all material problems identified (by both CASI and LS&CO.) in each testing stage before proceeding to the next stage. (This Section 7.1 only describes general principles underlying the Testing Plan; the detail is contained in the Testing Plan.)

7.2 Punchlists. During "production testing" and correction for each System, as described in Exhibit D, CASI and LS&CO. shall inspect each component of the System, conduct any additional testing and prepare two "punchlists," one identifying major problems and one identifying minor problems. ("Major" problems are those that affect the ability of a System to meet the Completion Criteria.) CASI shall begin correcting both types of problems.

7.3 System Final Acceptance

(a) CASI shall notify LS&CO. when CASI believes it has corrected all "major punchlist" items. At that time, CASI and LS&CO. shall once again inspect the System and conduct any additional tests LS&CO. may desire to confirm that the System meets the Completion Criteria. Once the System meets the Completion Criteria, LS&CO. shall "Finally Accept" the System, and deliver to CASI a certificate to that effect. That act represents "System Final Acceptance" and the date of that act is the "System Final Acceptance Date." CASI of course shall complete the remaining "minor" punchlist items, as-built drawings and other post-acceptance work.

(b) "System Final Acceptance" has these principal implications: (i) CASI may be entitled to the Final Payment for the accepted System, as explained in Section 9.12 or Section 9.13; (ii) CASI may be entitled to release of retained amounts and other payments, as explained in Section 9.8; (iii) the Warranty Period begins to run with respect to the accepted System, as explained in Section 10.4; (iv) LS&CO. will have full operational control, management and responsibility for the accepted System; and (v) CASI's liability with respect to the accepted System becomes more limited as described in Section 11.5. (These implications are the same for the System Final Acceptances for all three Systems, it being understood that System Final Acceptance for the last of the Systems to be completed has additional implications, as described in Section 7.4.)

7.4 Project Final Acceptance. "Project Final Acceptance" occurs on the date the requirements described in Section 9.13 are satisfied, and it corresponds with the System Final Acceptance Date for the last accepted System. It has these principal implications: (i) CASI may be entitled to the Final Final Payment, as explained in Section 9.13; (ii) CASI may be entitled to a Licensed Software milestone payment as described in Section 9.3; (iii) CASI may be entitled to release of retained amounts and

other payments, as explained in Section 9.8; (iv) CASI may be entitled to the Incentive Payment described in Section 9.4; and (v) CASI will be relieved of the various information-provision obligations described in Sections 12.3-12.5 and certain of the insurance requirements as described in Section 11.1.

8. Spare Parts

8.1 Initial Supply. By March 28, 1995, CASI shall submit to LS&CO. a written description, for each system of a recommended spare parts inventory, and a written list of recommended suppliers of those parts. That inventory recommendation shall also identify which parts CASI considers to be "covered" by its Intellectual Property Rights. LS&CO. shall review the recommendation within 60 days after receipt and (assuming of course agreement on pricing) commit to purchase from CASI those spare parts LS&CO. wishes to purchase, it being understood that the cost of these spare parts is not included in the Compensation. CASI shall purchase, manufacture and assemble those selected spare parts into kits or individual units that will be clearly marked with a specific CASI identification number, part description and information about which sub-assembly or assemblies for which the part is to be used. CASI shall deliver to LS&CO. all spare parts for a particular System no less than 90 days before starting the "production acceptance testing" phase of the testing of that System.

8.2 Future Purchases. Going forward, CASI shall not be obligated to maintain any spare parts inventory of its own at any CSC or at any CASI-operated location. Accordingly, after those initial purchases, LS&CO. may buy spare parts from any supplier, except for those parts which are "covered" by CASI's Intellectual Property Rights. LS&CO. shall be obligated to purchase from CASI, and CASI shall be obligated to make and sell to LS&CO., those "covered" spare parts from CASI (or, if CASI is no longer operating, any successor to CASI's business capable of producing them in the time and with the quality CASI could have produced them) for so long as the relevant part is "covered," at a price equal to 150% of CASI's then-current cost for that "covered" spare part. CASI shall promptly supply LS&CO. with any supporting documentation requested by LS&CO. relating to CASI's costs.

8.3 Parts Inventory and Use. LS&CO. shall be responsible for keeping and maintaining adequate numbers and kinds of spare parts on hand at each CSC. During the Warranty Period applicable to each System, CASI shall be free to use substitute parts and materials as needed from the spare parts inventory at that facility in order for CASI to replace any defective or non-conforming parts or materials. CASI shall thereafter provide LS&CO. with new or refurbished replacement parts or materials to be added back to the LS&CO. spare parts inventory at that CSC. If CASI provides LS&CO. with any replacement parts or materials, CASI may keep all the replaced defective or non-conforming parts and materials. During the applicable Warranty Period, CASI shall pay all shipping costs, both to and from CASI or other location, associated with the removals, reinstallations and replacements of parts contemplated by this Section 8.3, and shall be responsible for arranging for and tracking those shipments.

9. Payment

9.1 Compensation Overview. CASI's compensation for the Work has several elements. Those elements, and the mechanics of payment, are described in this Section 9. In general, LS&CO. shall pay CASI specified amounts for Equipment and Hardware fabrication and installation, and for research and development activities (the "Development Activities" described in Section 9.3). LS&CO. shall each month pay CASI a portion of those amounts but, as explained in this Section 9, the actual amount payable will be a function of:

- in the case of Equipment and Hardware fabrication, and, separately stated, installation, CASI's charges for and "percent completed" of the actual Work done in a payment period, as contemplated by the Schedule of Values, and the application of a "retention" arrangement; and

- in the case of Development Activities, CASI's costs and charges for the actual Work done in a payment period, and the application of an "incentive milestone" arrangement.

LS&CO. has paid CASI for CASI's work on behalf of LS&CO. under the Letter Agreements. Sections 9.4 and 12.12 contain additional information about payments under the Letter Agreements.

9.2 Equipment Fixed Price. In exchange for CASI's performance of the remainder of the Work relating to Equipment and Hardware fabrication and installation, and as may be adjusted as described in this Section 9, LS&CO. shall pay CASI a fixed price of $124,741,061 (the "Equipment Fixed Price"). The Equipment Fixed Price reflects these key elements:

<TABLE>

<S>	<C>
Equipment and Hardware design and fabrication (amount shown reflects full release of related retention amounts)	$100,644,621
Equipment and Hardware installation	24,096,440

</TABLE>

Exhibit J, the Schedule of Values, allocates the Equipment Fixed Price on a per System, component-by-component basis.

9.3 Payment for Development Activities

(a) CASI, on LS&CO.'s behalf and through LS&CO. funding, is engaging in continuing research and development activities relating to the development of the Licensed Software, process development (including

development of related Hardware components), systems integration and workstation development (collectively, the "Development Activities"). The budget for Development Activities is $11 million, including $4.5 million for additional activities relating to development and installation of the Licensed Software (the "Licensed Software Development Activities"). To date, LS&CO. under the Letter Agreements has paid CASI $2,383,254 of that amount. Going forward, LS&CO., through the Application for Payment process described in Section 9.5, will reimburse and pay CASI $8,616,746 (the "Development Activities Expenses") for its continuing Development Activities efforts. Exhibit Y is a Licensed Software Development Plan showing the expected manner and timeframe for the remaining Licensed Software Development Activities.

(b) In addition, LS&CO. shall pay CASI additional amounts in respect of the Licensed Software Development Activities only if CASI achieves result-oriented milestones:

<TABLE>
<CAPTION>

Milestone Event:	Achievement Date:	Amount:
<S>	<C>	<C>
Certification Test (Hayward)	January 1, 1996	$ 250,000
Begin First Site Production Test	August 5, 1996	$ 250,000
Project Final Acceptance Date	December 31, 1996	$ 1 million
Total:		$1.5 million

</TABLE>

In each case, LS&CO. shall pay CASI the entire amount if CASI achieves the milestone event before or within 30 days after the specified achievement date. If CASI achieves the milestone event during the period beginning 30 days after and ending 60 days after the specified achievement date, LS&CO. shall pay CASI no less than 75% of the specified amount, with the actual amount determined by prorating daily from day 31 to reach a maximum reduction of 25% at day 60. If CASI achieves the milestone event during the period beginning 60 days after and ending 90 days after the specified achievement date, LS&CO. shall pay CASI no less than 25% of the specified amount, with the actual amount determined by prorating daily from day 61 to reach a maximum reduction of 75% at day 90. LS&CO. shall not be obligated to pay CASI any amount in respect of the milestone if CASI does not achieve it within 90 days after the specified achievement date. (The $6 million represented by adding these milestone amounts to the $4.5 million in Licensed Software Development Activities costs referred to in Section 9.3(a) is called the "Licensed Software Total Amount.")

(c) This Agreement contemplates various situations in which the Project or Work may materially change over time. For example, Section 15.5 describes "Completion Risk Events" that permit LS&CO. to "take over" and complete the Project on its own. Sections 5 and 15 allow for "downsizing" by

LS&CO. of the Project. This Section 9.3(c) describes how the "staged payment" arrangement for the Licensed Software works in these contexts:

- If LS&CO. declares a Completion Risk Event but CASI, as contemplated by Sections 15.6(b) and 15.7, continues performing Licensed Software Development Activities, then the payment rules are not affected; LS&CO. shall continue to pay as provided in Sections 9.3(a) and (b).

- If LS&CO. declares a Completion Risk Event and takes over Licensed Software Development Activities, then LS&CO. shall no longer be obligated to pay all or some of the Licensed Software Total Amount as provided in Sections 9.3(a) and (b). Instead, it shall be obligated to pay the difference, if any, between (i) $6 million and (ii) its costs of completion of the Licensed Software Development Activities and the amount previously paid to CASI under Sections 9.3(a) and (b) for Licensed Software Development Activities and related milestone achievements. If the amount described in clause (ii) is greater than $6 million, then of course LS&CO. has no obligation to pay CASI any amount.

- If LS&CO. reduces the scope of the Project to, for example, installation of only one System, and CASI continues performing Licensed Software Development Activities, then the payment rules are not affected; LS&CO. shall continue to pay as provided in Sections 9.3(a) and (b).

9.4 Additional Agreements Regarding Compensation

(a) The Equipment Fixed Price, the Development Activities Expenses, the software milestone payments described in Section 9.3(b), the Incentive Payment described in Section 9.4(c) and the amount described in Section 9.4(e) are referred to collectively as the "Compensation."

(b) Except as described in section 9.4(f) or as may be agreed through the Change Order process described in Section 5, LS&CO. shall have no obligation in any case to pay CASI any amounts in respect of the Work in excess of the Compensation. In particular, that is so regardless of: (i) nonperformance or pricing changes by Vendors; (ii) errors or omissions in the Basic System Documents; (iii) correction of defective work by CASI or by Vendors; or (iv) changes initiated by CASI unless they have been approved through the Change Order process. (Change Orders providing for price increases may result from, for example, demonstrated cost increases caused by the use of union labor or difficulties in obtaining timely Building access.)

(c) In addition to the amounts described in Sections 9.2 and 9.3, LS&CO. shall also pay CASI the sum of $350,000 (the "Incentive Payment") if the Project Final Acceptance Date occurs on or before the date that is 30 days before the date identified in the Project Schedule (as it may be amended over time) as the Project Final Acceptance Date.

(d) The amounts shown for the Equipment Fixed Price and the Development Activities Expenses include the October 1994 Application for Payment. CASI and LS&CO. have not yet but must reconcile the September 1994 Application for Payment.

(e) One of the early Letter Agreements established a project management role and budget of $5 million for CASI. To date, LS&CO. has paid CASI $3,780,885 of that amount. Going forward, LS&CO. shall pay CASI, through the Application for Payment process described in Section 9.5, the remaining $1,219,115.

(f) Section 10 provides for performance by CASI of "post-acceptance" services. LS&CO. shall pay CASI $3,055,000 for those services. The payment mechanics are separate from those for the Compensation; they are described in Exhibit X.

9.5 Payment Mechanics. CASI shall submit to LS&CO. each month (either by the first day or as soon thereafter as it can) a document, in the form attached as Exhibit M, describing:

- on a component-by-component, Building-by-Building, line-item basis, CASI's estimated charges for Equipment, Hardware and installation for the next one month period, with the estimates derived from the Schedule of Values, and less the retention contemplated by Section 9.8, plus the amount of Reimbursable Taxes paid by CASI (and to be reimbursed by LS&CO. to CASI) for the prior period;

- CASI's estimated charges for project management activities as contemplated by Section 9.4(e);

- CASI's estimated Development Activities Expenses, as described in Section 9.3(a);

- any retention release or milestone payment amounts due CASI as contemplated by Sections 9.3 and 9.8; and

- the nature and impact of any Change Orders approved for action during that period.

This document is an "Application for Payment." CASI shall also provide LS&CO. with supporting documentation reasonably requested by LS&CO. Review of that documentation shall not delay LS&CO.'s payment to CASI; discrepancies in the Application for Payment shall be reconciled or adjusted through the process described in Section 9.7. LS&CO. shall, within ten days

after receipt of an Application for Payment, pay the amount stated in that document. It shall do so by wire transferring the funds to the account identified by CASI from time to time in the form described in Exhibit N.

9.6 Other Money Matters. In recognition of the benefits to CASI of this "estimate/advance/reconciliation" payment arrangement, CASI shall promptly contact LS&CO., and obtain LS&CO.'s prior written approval, if it anticipates that it will exceed by 10% or more the estimated charges in respect of any activity or in the aggregate during the period covered by any Application for Payment. If LS&CO. does not object or respond within five days, LS&CO. shall be considered to have approved the matter. If it does object, CASI and LS&CO. shall consult and resolve the matter. CASI understands that prompt payment of Vendors is of critical importance.

9.7 Reconciliation and Confirmation

(a) No later than 15 days after the end of each calendar month, CASI shall provide to LS&CO. a written comparison, in the form attached as Exhibit M, of the prior month's estimate (as reflected in the Application for Payment) against the actual performance and completion of those items during the month. This is a "Reconciliation Statement." It shall be certified as to accuracy by a CASI officer. CASI shall also supply or make available to LS&CO. supporting documentation reasonably requested by LS&CO. to verify completion and use of the funds. "Reasonably requested" documents include, among others, invoices and bills of sale (with costs deleted), title documents and evidences of insurance. Finally, CASI shall supply to LS&CO. the lien release materials described in Section 12.7.

(b) If CASI and LS&CO. determine after review of a Reconciliation Statement and supporting documents that LS&CO. paid CASI more than the amount attributable to the Work actually performed by CASI during the month, then CASI shall credit LS&CO for the full amount of the difference. It shall reflect that credit in the next Application for Payment.

(c) If CASI and LS&CO. determine after review of a Reconciliation Statement and supporting documents that the payment did not fully compensate CASI for the Work actually performed during the month, then LS&CO. shall pay CASI the full amount of that difference. CASI will reflect that amount in the next Application for Payment.

9.8 Retention

(a) LS&CO. shall "retain" (keep) a portion of the Equipment Fixed Price and shall "release" (pay) that amount as described in this Section 9.8. Each Application for Payment submitted before the Mechanical Installation Complete Milestone for a System shall reflect, for each such System, a retention of 5% of the total estimated amount for Equipment and Hardware for that month. LS&CO. shall release those retained amounts with respect to a System as follows:

- 25% upon achievement of the Mechanical Installation Complete Milestone;

- 25% upon achievement of the System Complete Milestone;

- 25% upon the System Final Acceptance Date; and

- 25% upon the Project Final Acceptance Date.

In each case, LS&CO. shall release to CASI the entire amount if CASI achieves the milestone event before or within 30 days after the specified milestone date. If CASI achieves the milestone event during the period beginning 30 days after and ending 60 days after the specified achievement date, LS&CO. shall release to CASI no less than 75% of the specified amount, with the actual amount determined by prorating daily from day 31 to reach a maximum reduction of 25% at day 60. If CASI achieves the milestone event during the period beginning 60 days after and ending 90 days after the specified achievement date, LS&CO. shall release to CASI no less than 25% of the specified amount, with the actual amount determined by prorating daily from day 61 to reach a maximum reduction of 75% at day 90. LS&CO. shall not be obligated to release to CASI any amount in respect of the milestone if CASI does not achieve it within 90 days after the specified achievement date.

(b) CASI shall notify LS&CO. in writing whether or not it has met each milestone described in Section 9.3(b) or 9.8(a) and the amount it believes is owing in respect of that achievement. If CASI states that it has met a milestone, then LS&CO., within 30 days after receipt of that notice, shall notify CASI of LS&CO.'s concurrence with or rejection of that statement. If LS&CO. concurs, LS&CO. shall pay CASI the appropriate amount within five days after sending its "concurrence" notice. (In addition, LS&CO. shall not going forward continue retaining amounts in respect of "now-met" Section 9.8 milestones.) If LS&CO. expressly rejects CASI's assertion that CASI has met a milestone, or does not give any notice to CASI during that 30-day period, then CASI and LS&CO. shall meet within five days after rejection or expiration and resolve the problem. LS&CO. thereafter shall promptly pay to CASI any amounts they have agreed are owing.

9.9 Effect of Partial Payment. Payments by LS&CO. (including the Final Payment) of course shall not be considered approval or acceptance of all or any portion of the Project or relieve CASI of any of its obligations under this Agreement.

9.10 Right to Withhold. LS&CO. shall not be obligated to make payment to CASI of any Application for Payment to the extent that:

(a) any amounts are due and owing by CASI to LS&CO. under Section 11.2, it being understood that the amount withheld shall not exceed the amount owing and that the withhold is subject to the limitations contained in Section 11.5;

(b) Any part of the Application for Payment is attributable to Work which is defective or not performed in accordance with this Agreement, it being understood that LS&CO. will pay for Work which is performed in accordance with the Basic System Documents, Completion Documents and related plans and specifications and is not defective;

(c) CASI has failed to make payments to Vendors for material and labor used in the Work for which LS&CO. has already made payment to CASI and CASI has no valid reason (for example, breach by the Vendor) for that non-payment;

(d) The portion of the Compensation then remaining unpaid (including retentions) in LS&CO.'s good faith opinion will not be sufficient to complete the Work in accordance with the Basic System Documents and CASI has not submitted an acceptable plan to LS&CO. for "covering the difference"; or

(e) LS&CO. has declared a Completion Risk Event under Section 15.

Upon correction of these problems, LS&CO. will pay the amounts withheld, less the dollar amount of any loss or damage it incurred.

9.11 Disputes; Interest. If LS&CO. withholds any portion of an Application for Payment and the dispute is later resolved in favor of CASI, then LS&CO., promptly after resolution of the dispute, shall pay interest (on the amount determined to be owing to CASI) from the date which is five days after the date the payment was due, and that interest shall be added to the principal of the disputed amount. This interest shall accrue against the sum due at the rate equal to the then reference rate ("prime rate") of interest being charged by Bank of America at its San Francisco banking office plus 1%, but not in excess of the maximum rate allowed by law. In all events, and assuming that LS&CO. is not in material breach of its payment obligations under Section 9, CASI shall not stop or alter Work during the time these disputes are being handled. It is understood that if LS&CO. withholds payments on the basis of a good faith "colorable claim" under Section 9.10, then that withhold, even if later resolved in favor of CASI, shall not be considered a "material breach" of LS&CO.'s payment obligations under Section 9 and therefore grounds for neither Work stoppage nor termination under Section 15.2.

9.12 Final Payment. After development of the punchlists described in Section 7.2, for each of the first two Systems to be completed, CASI shall prepare a final Application for Payment for that System. It shall as usual reflect an estimate of remaining charges (that is, the remaining portion of the Compensation attributable to that System, including charges for completion of the punchlist work), Reimbursable Taxes then due, retention amounts releasable (if at all), retention amounts not yet releasable (including as described in the last two sentences of this Section 9.12) and remaining amounts payable, if any, in respect of Licensed Software Development Activities. LS&CO. shall not be obligated to make this "Final

Payment" until all of these requirements are satisfied with respect to that System:

(a) CASI has completed all Work in accordance with this Agreement and the System Documentation (except of course for the Work described in the last paragraph of Section 9.12);

(b) CASI has delivered final lien waivers from itself and all Major Vendors;

(c) there exists "System Final Acceptance" of the System;

(d) CASI has delivered to LS&CO. its written certification, and supporting documentation, if requested, that CASI has paid in full all of its bills and claims against it relating to the System, and all Reimbursable Taxes, except for those identified in the certificate or otherwise approved by LS&CO.;

(e) CASI has discharged (or bonded against) all liens filed against LS&CO. or any Building as a result of the Work on the System and has delivered to LS&CO. complete and final lien releases from, or bonds relating to, all Major Vendors; and

(f) CASI has provided LS&CO. with the documentation and information described in Exhibit V and with keys for any locks relating to that System, it being understood that CASI has other post-Final Payment documentation obligations (for example, "as-built" drawings).

That said, LS&CO. may retain amounts in respect of two CASI post-acceptance obligations. First, CASI must complete minor punchlist work. LS&CO. may retain, until that work is completed, an amount equal to 200% of the estimated cost of that work. Second, CASI must deliver, within 90 days after individual System Final Acceptance, "as-built" drawings for that System. LS&CO. may retain, until those drawings are delivered, an amount equal to $25,000. LS&CO. will pay these retained amounts upon completion and approval of the drawings.

9.13 Final Final Payment. At the time CASI prepares the punchlists for the last of the Systems to be completed, it shall prepare an Application for Payment for that System on the basis described in Section 9.12, and shall reflect in that application any additional amounts (for example, the retentions relating to earlier-completed Systems, the final software milestone payment or the Incentive Payment) that may be releasable or payable by reason of Project Final Acceptance. LS&CO. will not be obligated to make this "Final Final Payment" until all of the requirements described in Section 9.12(a)-(f) are satisfied for that last System and requirements (d) and (e) remain satisfied with respect to the other two Systems. Upon satisfaction of those requirements, LS&CO. will make the Final Final Payment to CASI. (The minor punchlist and as-built rules described in Section 9.12 shall be applicable to this last System to be completed.)

9.14 Tax Matters

(a) Subject to Section 9.14(b), CASI shall:

- administer and pay all Reimbursable Taxes when due;

- cooperate with LS&CO. in planning for Subject Taxes and execute those plans, using in all cases reasonable efforts to minimize the amount of Subject Taxes and any related penalties, interest or other assessments, with those efforts including, without limitation, the actions described in Exhibit Z;

- cooperate with LS&CO. in any dispute relating to Subject Taxes, whether at any administrative or judicial level (with expense reimbursement from LS&CO. except as provided in Section 9.14(b));

- advise LS&CO. within 15 days after it is notified, formally or informally, of any such dispute;

- permit LS&CO. at LS&CO.'s discretion to control any such proceeding, provided that LS&CO. shall be liable for all additional Subject Taxes, including interest and penalties, that may result;

- discharge at its expense any liens relating to Reimbursable Taxes attaching because of its failure to pay Reimbursable Taxes for which LS&CO. has paid CASI;

- account for and use its best efforts to cause its Major Vendors to account for the costs associated with the Work (for example, those relating to purchases of System components or installation services) using accounting methods and conventions reasonably requested by LS&CO.; and

- be responsible for any of its taxes associated with the Work other than the Reimbursable Taxes, including, without limitation, income, gross receipts and like taxes, and, as contemplated by Section 16.14, unemployment, social security and other taxes relating to its employees.

"Subject Taxes" means sales, use, service, service use, value added, personal property, asset, contractor, lease, license, customs, duties, imposts or like

assessments associated with the Work, including those relating to the purchase and sale of System components, the purchase, lease or use of installation equipment or attributable to services provided by CASI or its subcontractors. "Reimbursable Taxes" means Subject Taxes which are actually paid by CASI. They do not include income, franchise, social security, unemployment compensation, workers' compensation or like taxes. That said, the agreements described in the second, third, fourth, fifth and seventh bullet-points shall also apply to LS&CO.'s federal and state income taxes as they are affected by the Work.

(b) Reimbursable Taxes are pure "pass-through," actually-paid costs; that is, LS&CO. shall timely reimburse CASI (without retention) for these payments and they are not reflected in or in any way affect the Compensation. LS&CO. shall through the payment process described in Sections 9.5-9.7 timely reimburse to CASI (without retention) all Reimbursable Taxes and related interest, penalties and other charges. That said, if LS&CO. has instructed CASI as to the filing and payment of any Reimbursable Taxes and CASI has not taken the actions requested by LS&CO., then LS&CO. shall have no obligation to reimburse CASI for any resulting penalties, interest or other charges, or to reimburse CASI for CASI's expenses in cooperating with LS&CO. to resolve the disputes or problems arising from these causes. Assuming no conduct of that type on CASI's part, LS&CO. shall be responsible for all Reimbursable Taxes, including related interest, penalties and other charges determined or later assessed upon audit or the like, to the extent that LS&CO. has not already been billed for and paid these amounts to CASI, and LS&CO. shall reimburse CASI for CASI's out-of-pocket expenses in cooperating with LS&CO. to resolve any dispute.

10. Warranty and Post-Acceptance Matters

10.1 Introduction. Section 10 is about two subjects. CASI's warranties about the Systems, and certain limitations on those warranties, are described in Sections 10.2 and 10.3. Post-acceptance support arrangements (as well as CASI's warranty corrective obligations) are described in Sections 10.4 through 10.9. Post-acceptance support covers CASI's role in Equipment, Hardware and Licensed Software maintenance, Software Upgrades, System problem response and repair and employee training. Warranty obligations, by their nature, are also "post-acceptance" activities, in that they relate to problems with a System after that System's Final Acceptance Date. In some measure, they overlap, because the CASI personnel on site as described in Section 10.5 will be the first CASI resources to address System problems that may have warranty implications. Because of this overlap, and because of the critical importance of maintaining System operation and performance, CASI and LS&CO. believe it efficient to focus their post-acceptance relationship around problem response and employee education.

10.2 Warranty. CASI warrants to LS&CO. that, with respect to each System, when finally delivered and installed by CASI and accepted by LS&CO. as of the System Final Acceptance Date for that System:

(a) that System, including each component of that System, will be of new manufacture and consist of first-class parts and materials;

(b) that System, including each component of that System, shall be free from all errors and defects, latent or patent, in parts, material, workmanship, and design;

(c) that System shall meet the Completion Criteria for that System;

(d) the Licensed Software installed for that System shall perform as specified in the Performance Standards; and

(e) that System shall meet and, going forward, shall meet, the Performance Standards.

10.3 Warranty Qualifications

(a) CASI's warranties about the Licensed Software do not extend or apply to or include:

(i) problems caused by operation of the Licensed Software on any hardware configuration, or in any operating environment (for example, an operating system), other than as specified in the Licensed Software Specifications (which provide for testing on the computer hardware, operating system and upwardly compatible systems platforms on which the Licensed Software is designed to run).

(ii) problems caused by operation of the Licensed Software in conjunction with any computer program (for example, "terminate and stay resident" utility programs) other than as specified in the Licensed Software Specifications;

(iii) problems caused by any copy of the Licensed Software that is modified by any person other than CASI or its Vendors;

(iv) problems caused by use of the Licensed Software other than in accordance with the most current operating instructions for that release as delivered by CASI to LS&CO.;

(v) problems caused by defects, problems or failures of software not developed or provided (from third party vendors) by CASI;

(vi) problems caused by bugs caused by the negligence or unauthorized actions of LS&CO. or any other person except CASI or its Vendors;

(vii) determining whether the Licensed Software will achieve the results desired by LS&CO., except to the extent those

requirements are incorporated in the Performance Standards;

(viii) ensuring the accuracy of any input data provided by parties other than CASI and used with the Licensed Software;

(ix) establishing adequate data backup provisions for backing up LS&CO.'s data;

(x) establishing adequate operational backup provisions (for example, alternate manual operation plans) in the event of a defect or malfunction that impedes the anticipated operation of the Licensed Software; and

(xi) problems caused by changes to the Licensed Source not approved by CASI under Section 4.6(c).

(b) CASI's warranties about the Licensed Software also do not include:

(i) any warranty that the functions performed by the Licensed Software will meet LS&CO.'s requirements or will operate in the combinations that may be selected for use by LS&CO., except to the extent that those requirements are incorporated in the Performance Standards;

(ii) any warranty that the operation of the Licensed Software will be free of errors which do not materially affect functionality as described in the Performance Standards; and

(iii) any warranty that all defects in the Licensed Software that are not material with respect to functionality as described in the Performance Standards will be corrected.

(c) CASI's warranties about the Equipment and Hardware do not extend or apply to or include:

(i) problems caused by operation of the System, including the Equipment and Hardware, other than in conjunction with, and in accordance with the most current operating instructions for, the most current Licensed Software delivered by CASI to LS&CO.;

(ii) problems caused by operation of the System, including the Equipment and Hardware, in conjunction with any equipment and hardware, other than as provided or approved by CASI;

(iii) problems caused by defects, bugs or failures of equipment and hardware not provided or approved by CASI;

(iv) problems caused by any Equipment or Hardware that is modified by LS&CO. or any third person except CASI or its Vendors;

(v) problems caused by use of the System, including the Equipment and Hardware, other than in accordance with the most current operating procedures, instructions and manuals therefor as delivered by CASI to LS&CO.;

(vi) problems caused by maintenance or preventative maintenance of the System, including the Equipment and Hardware, other than in accordance with the most current procedures, instructions and manuals therefor as delivered by CASI to LS&CO.;

(vii) problems caused by defects, bugs, failures or problems that arise as a result of the failure to maintain, including the failure to undertake and provide all preventative maintenance for, the System, including the Equipment and Hardware, in accordance with the most current procedures, instructions and manuals therefor as delivered by CASI to LS&CO.

(viii) problems caused by defects, bugs, failures or problems caused by normal wear and tear or the negligent or unauthorized actions of LS&CO. or any other person except CASI or its Vendors.

(ix) determining whether the System, including the Equipment and Hardware, will achieve the results or meet the requirements desired by LS&CO., except to the extent that those results or requirements are incorporated into the Performance Standards; and

(x) establishing adequate operational backup provisions (for example, alternate manual operation plans) in the event of a defect or malfunction that impedes the anticipated operation of the System, including the Equipment and Hardware, it being understood that this qualification does not limit the warranty with respect to the defect or malfunction itself.

(d) CASI's warranties about each System, including Equipment, Hardware and Licensed Software, are subject to the following:

EXCEPT AS EXPRESSLY STATED IN THIS SECTION 10, CASI MAKES NO WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, RELATING TO SYSTEM DESIGN, FABRICATION, INSTALLATION, SUPPORT, PARTS, MATERIALS, WORKMANSHIP OR OPERATION, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR ARISING FROM A COURSE OF DEALING OR USAGE OF TRADE.

LS&CO. acknowledges that this waiver of implied warranties is "conspicuous" within the meaning of Section 2316(2) of the California Commercial Code.

(e) CASI shall not be responsible or liable, and shall not make any allowances, for any warranty or post-acceptance support services, or other work, performed by any third party other than Vendors or other persons

retained by CASI to perform the activity. That said, CASI shall be responsible for the performance and outcome of work performed by LS&CO. employees under CASI's supervision as contemplated by Section 10.5.

10.4 Warranty Obligation

(a) CASI shall, during the applicable Warranty Period for each System, at its cost and expense, remedy, repair or replace (with new first class or fully refurbished parts and materials), any defective or non-conforming Equipment, Hardware or Licensed Software, correct any defective or non-conforming workmanship and take any other necessary actions, to ensure that that System conforms to the warranties described in Section 10.2, as qualified in Section 10.3. Sections 10.5 through 10.6 describe how CASI and LS&CO. shall respond to System problems, including those requiring the corrective work contemplated by the preceding sentence. The remainder of this Section 10.4 describes other aspects of the warranty obligation.

(b) The warranty for each System begins on the System Final Acceptance Date for that System and ends on midnight (Pacific time) on the date of the first anniversary of that System Final Acceptance Date. That one-year period is a "Warranty Period."

(c) LS&CO. must notify CASI of all warranty claims within 15 days after the end of the Warranty Period applicable to that System. As described in Section 10.6, CASI and LS&CO. will during the Warranty Period focus first on resolving problems with a System, and then on determining the cause of the problem. Given that, the participation of On-site CASI Personnel in evaluating and responding to a problem shall be considered "notice of a warranty claim" to CASI. LS&CO. may also provide notice through a formal writing delivered to CASI.

(d) All replacement parts and materials and all remedied or corrected workmanship for a System shall be considered "warranted" as otherwise provided in this Section 10 but only through and until the expiration of the Warranty Period for that System.

(e) CASI shall do all of its warranty work in a good and workmanlike manner using qualified personnel.

(f) As contemplated by Section 3.4(b), Vendor Agreements with Major Vendors do and will include warranties made by the Major Vendor. At the time of System Final Acceptance of a System, and without further action, CASI shall be considered to have assigned those warranties to LS&CO. CASI shall at LS&CO.'s expense provide all assistance reasonably requested by LS&CO. in enforcing those warranties. In addition, CASI, upon its receipt of any third party service manuals or non-Major Vendor warranties relating to a System, shall provide those manuals to LS&CO., and shall be considered to have assigned those warranties to LS&CO. to the extent assignable. The warranty assignment and assistance provisions provided for in this Section 10.4(f) are not intended to relieve CASI of any of its warranty obligations, but they are simply designed to ensure another "avenue of recourse" for

LS&CO. with respect to those elements.

10.5 Post-Acceptance Support

(a) During a Warranty Period for a System, CASI shall maintain at that CSC, for the times and purposes described in Exhibit X, the personnel identified in Exhibit X (referred to as the "On-site CASI Personnel") and shall perform the services described in Exhibit X. In addition, CASI shall provide home office support described in Exhibit X. If LS&CO. should require additional CASI (on-site) software personnel, then LS&CO. shall so notify CASI and CASI shall reasonably supply them. LS&CO. shall pay CASI for reasonable travel and living expenses of these additional software personnel and their burdened direct labor cost, with a mark-up of a 1.5 multiplier applied to the direct labor and a 1.25 multiplier applied to travel and living expenses. CASI shall promptly supply LS&CO. with any supporting documentation reasonably requested by LS&CO. relating to CASI's costs and charges.

(b) During the applicable Warranty Periods, LS&CO. shall make available LS&CO. maintenance personnel at each CSC for supervision and training by CASI. In order to facilitate the training process, these LS&CO. personnel will in most cases perform ("hands-on") warranty corrective work and routine maintenance activities. The On-site CASI Personnel will in those cases plan and supervise their work, and CASI shall be responsible for its performance and outcome. The On-site CASI Personnel also will work with the LS&CO. personnel during the Warranty Periods to establish a full tailored schedule of regular inspection and preventative maintenance procedures for each System.

10.6 Problem Response

(a) If a problem with a System arises during a Warranty Period, LS&CO. shall promptly notify the On-site CASI Personnel. CASI shall, using whatever combination of On-site CASI Personnel, CASI home office personnel, LS&CO. personnel and other persons it finds appropriate, identify and, working with the LS&CO. personnel at the CSC, address, discharge any related warranty obligations and otherwise attempt to resolve the problem in the manner described in this Section 10. CASI shall perform all of these activities in a good and workmanlike manner using qualified personnel. LS&CO. shall make, at its expense, adequate space and utilities available to CASI in order for CASI to do this work. CASI's use of spare parts maintained at a CSC in doing this work is described in Section 8.3.

(b) During a Warranty Period, CASI's key objective in responding to any problem (whether or not it is covered by CASI's warranty) shall be the prompt and efficient correction of the problem (and attempted correction of non-warranted problems) at minimal disruption to CSC operations. (For example, CASI shall attempt to supply a temporary fix or make a reasonable attempt to make an emergency bypass of the problem with the Licensed Software if it yields incorrect results as it works on developing a "permanent" fix.) As such, if it is later determined that the problem is not

covered by CASI's warranty (for example, if the problem resulted from misuse of the System or as a result of a subject described in the warranty qualifications contained in Section 10.3), LS&CO. shall promptly pay CASI for that repair work. LS&CO. shall pay CASI for reasonable travel and living expenses of its personnel and the burdened direct labor cost of the individual or individuals who perform such (non-warranty-related) corrective services, with a mark-up of a 1.5 multiplier applied to the direct labor and a 1.25 multiplier applied to travel and living expenses. The "causation" analysis as to whether a problem is or is not covered by CASI's Warranty and any payment reconciliation shall not delay CASI's attempt to resolve the problem. CASI makes no guaranty that it can satisfactorily fix or resolve problems not covered by its warranty, and CASI offers no warranty with respect to CASI repairs of non-warranted problems.

(c) CASI shall consult with LS&CO. about these activities and, consistent with its "minimal disruption" objective, shall not take any action that would affect System or CSC operations without first obtaining LS&CO.'s approval of the activity.

10.7 Other Post-Acceptance Software Matters

(a) In addition to the on-site and remote support of the Licensed Software contemplated by Section 10.5, CASI shall, going forward, make available to LS&CO. for purchase all Maintenance Releases and Software Upgrades developed by CASI, and related education and installation support, relating to the Licensed Software. These Maintenance Releases and Software Upgrades shall include both the relevant source code and object code. If LS&CO. chooses to buy any Maintenance Releases or Software Upgrades, the source code and object code automatically shall become part of the Licensed Software Source Code and Licensed Software Object Code under this Agreement, which LS&CO. is obligated to protect under Section 4.7 of this Agreement.

(b) CASI will price the Maintenance Releases and Software Upgrades on the basis of standard CASI pricing methodology and standard industry mark-ups. That said, the price shall not exceed the lowest per site price CASI charges any of its other customers, and LS&CO. need pay only one "per site" fee in order to be able to use the Maintenance Releases and Software Upgrades at all three CSCs. In addition, CASI will provide Maintenance Releases to LS&CO. free of charge during the Warranty Periods, it being understood that supply of those Maintenance Releases shall not operate to lengthen any Warranty Period. CASI will also supply to LS&CO., free of charge, error corrections known to CASI relating to the Licensed Software as they may be developed by CASI.

(c) CASI will provide LS&CO. with standard warranties, subject to standard limitations and exclusions, about the Maintenance Releases and Software Upgrades purchased by LS&CO. In particular, CASI will warrant to LS&CO. that the Maintenance Releases and Software Upgrades will not materially degrade the performance or functioning of the Licensed Software, or materially impair (after an initial learning period) LS&CO.'s ability to support the operation of the Licensed Software, all in accordance

with the Performance Standards.

(d) CASI acknowledges that it cannot, during the Warranty Period, offer to LS&CO. more than two CASI-initiated Maintenance Releases, or more than one CASI-initiated Software Upgrade.

(e) The Maintenance Release and Software Upgrade obligations described in this Section 10.7 are not "Warranty Period" rules and are not subject to CASI and LS&CO. being party to a "post-Warranty Period" service agreement contemplated by Section 10.9.

10.8 Training. During the applicable Warranty Periods, the On-site CASI Personnel shall provide in-depth and on-going operational, preventative maintenance and maintenance training and education to LS&CO. personnel. CASI and LS&CO. shall jointly develop the curriculum, teaching materials and schedule for these training programs. In addition, as contemplated by Section 10.6, LS&CO. personnel shall be free to participate in diagnostic and repair work as part of their general "System education" efforts. Additional information about Licensed Software training is contained in Exhibit B.

10.9 Post-Maintenance Support after Warranty Periods. LS&CO. shall advise CASI, at least 90 days prior to the expiration of the Warranty Period for each System, if LS&CO. wants CASI to continue to provide any or all of CASI's Equipment, Hardware and/or Licensed Software support services, on a full-time or limited basis, after the expiration of the applicable Warranty Period, for that System. If it does, then CASI shall provide LS&CO. with a proposed price for those requested services. CASI's pricing for the requested services shall be on the basis of standard CASI pricing methodology and, if applicable, good faith adjustments. If LS&CO. accepts CASI's proposed pricing, at least 30 days before the end of the applicable Warranty Period, then CASI shall provide the agreed-upon services without interruption. Otherwise, CASI shall have no obligation to continue to provide any post-Warranty Period services for LS&CO.

11. Liability

11.1 Insurance

(a) From now until the Project Final Acceptance Date, CASI shall obtain and maintain in force these insurance coverages:

(i) Worker's Compensation Insurance, including occupational illness or disease coverage, or other similar social insurance in accordance with the laws of the state exercising jurisdiction over the employee and Employer's Liability Insurance with a limit of $5,000,000 per occurrence.

(ii) Commercial General, Automobile and Excess Liability Insurance, written on occurrence policy forms, with a minimum total combined single limit of $20,000,000 per occurrence for bodily

injury and property damage. Contractual Liability, Products and Completed Operations Liability, Broad Form Property Damage Liability, and explosion, collapse and underground hazard coverage shall be provided under the Commercial General and Excess Liability policies. The policies shall be endorsed to name FD and LS&CO. and their affiliates as additional insureds.

(iii) Tools and Equipment Insurance, covering physical damage to or loss of all major tools and equipment, office furniture and equipment, and vehicles for which CASI is responsible throughout the course of the work.

(b) The insurance coverages obtained by CASI shall be primary and non-contributing with respect to any other insurance or self insurance which may be maintained by LS&CO. Contractor's Commercial General Liability and Automobile Liability Insurance policies shall contain a cross-liability or severability of interest clause. CASI shall obtain from each of its insurers a waiver of subrogation in favor of FD and LS&CO. and their affiliates with respect to losses arising out of or in connection with the Work. CASI shall cause its insurance underwriters to issue Certificates of Insurance satisfactory in form to LS&CO. (ACCORD form or equivalent) evidencing that the coverages, coverage extensions, policy endorsements and waivers of subrogation required under this Agreement are maintained in force and that not less than 30 days written notice will be given to LS&CO. prior to any material modification or cancellation of the policies. CASI shall provide LS&CO. with certificates of insurance evidencing that all coverages required under this Agreement have been procured and are in effect. A description of CASI's coverages is attached as Exhibit O.

(c) CASI shall be responsible for seeing that Kosan Crisplant, a Major Vendor, obtains and maintains appropriate Ocean Marine Cargo Insurance covering materials and equipment that Kosan Crisplant will ship to the Buildings; LS&CO. shall bear no risk of loss or in any way be responsible in those materials or shipments. CASI shall obtain and provide to LS&CO. upon request the related certificates of insurance and like evidences of coverage. From now until the Project Final Acceptance Date, LS&CO. shall be responsible for seeing that FD obtains and maintains adequate and appropriate transit insurance covering all materials FD is responsible for shipping to the Buildings under Section 6. CASI shall not be responsible for obtaining that insurance. LS&CO. shall also be responsible for seeing that FD provides to CASI upon request the related certificates of insurance and like evidences of coverage.

(d) It is understood that FD has obtained Builder's Risk Insurance under which both CASI and LS&CO. are additional named insureds. CASI shall supply FD with information reasonably requested by FD in connection with that Builder's Risk insurance including, without limitation, charges for CASI and Vendor materials and equipment for purposes of declarations of values to the carrier. From now until the Project Final Acceptance Date, LS&CO. shall be responsible for seeing that FD maintains that insurance. CASI shall not be responsible for obtaining any Builder's

Risk Insurance. LS&CO. shall also be responsible for seeing that FD provides to CASI upon request the related certificates of insurance and like evidences of coverage.

(e) It is understood that the insurance coverages obtained by FD described in Sections 11.1(c) and (d) shall be primary and non-contributing with respect to any other insurance or self insurance which may be maintained by CASI and that FD shall obtain, from each of these insurers, a waiver of subrogation in favor of CASI with respect to losses arising out of or in connection with losses insured by that insurance. Finally, it is understood that a complete lapse in the Builder's Risk coverage for CASI shall be treated as a "suspension" under Section 15.4, and that LS&CO. shall be responsible for arranging these FD-supplied coverages should FD fail to obtain and maintain them.

11.2 Indemnity

(a) CASI shall defend, indemnify and hold harmless LS&CO. and any of its employees or agents (together, the "LS&CO. Indemnified Parties") from and against any and all claims, actions, liabilities, obligations, damages, losses, demands, recoveries, deficiencies, costs or expenses, including, without limitation, reasonable attorneys' fees and expenses, (collectively, "Claims") which any of the LS&CO. Indemnified Parties may suffer or incur connected with, resulting from or arising out of:

(i) the inaccuracy in any material respect of any representation or the material breach of any warranty made by CASI in this Agreement, any Exhibit or in any Application for Payment, including, without limitation, the representation contained in Section 12.1(a);

(ii) any failure by CASI to perform, carry out or comply with any of its material obligations under this Agreement;

(iii) any infringement or violation, or any alleged infringement or violation, of any third party's Intellectual Property Rights or other rights relating to any System, any component of any System, any other aspect of the Work or LS&CO.'s possession or use of any System in accordance with this Agreement; and

(iv) injury to any person or property related to performance of the Work, including, without limitation, any negligent or intentional act of CASI, anyone directly or indirectly employed by CASI, any CASI-retained Vendor or anyone for whose act CASI may be liable, but only to the extent that it is not caused by a LS&CO. Indemnified Party.

These indemnity obligations shall not limit or otherwise affect any other right or obligation of CASI or any LS&CO. Indemnified Party.

(b) LS&CO. shall defend, indemnify and hold harmless CASI and any of its employees or agents (together, the "CASI Indemnified Parties")

from and against any and all Claims which any of the CASI Indemnified Parties may suffer or incur connected with, resulting from or arising out of:

(i) the inaccuracy in any material respect of any representation or the material breach of any warranty made by LS&CO. in this Agreement, any Exhibit or in any Application for Payment;

(ii) any failure by LS&CO. to perform, carry out or comply with any of its material obligations under this Agreement, including, without limitation, its obligations under Sections 4.7 and 14;

(iii) the acts of FD (or any person for whose act FD may be liable) under this Agreement, other than breaches by FD of its separate confidentiality agreement with CASI, to the extent that CASI in Section 6.2(c) has released FD from liability therefor;

(iv) injury to any person or property related to performance of the Work caused by LS&CO., including, without limitation, any negligent or intentional act of LS&CO., anyone directly or indirectly employed by LS&CO., or anyone for whose act LS&CO. may be liable, but only to the extent that it is not caused by a CASI Indemnified Party;

(v) any changes made by LS&CO. to the Licensed Software Source Code not pre-approved in writing by CASI; and

(vi) CASI's access to LS&CO.'s host computer and software (for example, claims by third party licensors to LS&CO. of that software).

These indemnity obligations shall not limit or otherwise affect any other right or obligation of LS&CO. or any CASI Indemnified Party.

11.3 Mechanics. These are the mechanics of the indemnity rules:

(a) An indemnified party shall promptly notify the indemnifying party of a claim but failure or delay by the indemnified party in giving this notice shall not reduce or otherwise affect the indemnifying party's indemnification obligations, except to the extent that the failure or delay shall have materially prejudiced its ability to defend against, settle, or satisfy the Claim or materially increased the cost of doing so.

(b) The indemnifying party at its expense shall have the right to pay, compromise, settle or otherwise dispose of any Claim. Unless the indemnified party otherwise agrees, however, no settlement shall limit, restrict or otherwise affect the right of the indemnified party to carry on or conduct its business (then or in the future) or require any payment to be made by any indemnified party, or limit, restrict, make more expensive or less profitable or otherwise adversely affect the manner in which the indemnified party carries on or conducts its business (then or in the

future). In addition, the indemnifying party shall not enter into any settlement which does not include the delivery by the settling third party of a full and final release of all of the indemnified parties from any and all liability with respect to the Claim.

(c) The indemnifying party at its expense shall defend, subject to the indemnified party being able to reasonably monitor and participate in such defense (including the selection of counsel reasonably satisfactory to both), the indemnified party from any Claims. The indemnified party at all times may employ its own counsel, but the fees and expenses of this counsel shall be at the indemnified party's own expense unless the indemnifying party authorizes the employment in connection with the defense of Claims, or unless the indemnifying party has not employed counsel to take charge of the defense of any Claims within a reasonable period after receiving notice of the Claim; the indemnifying party shall pay in both the cases the fees and expenses of this counsel. That all said, LS&CO. may in its sole discretion decide to defend a Claim itself and thereby not "tender" the defense to CASI, but with the consequence that CASI shall not be obligated to indemnify LS&CO. in respect of that Claim or its defense. (LS&CO. of course may pursue what other remedies it may have against CASI (for example, breach of representation) relating to that Claim.).

(d) CASI shall provide notice to LS&CO. immediately upon the commencement or threat of any action brought against CASI whose outcome may affect the rights of any LS&CO. Indemnified Party including, particularly, actions relating to CASI's Intellectual Property Rights. LS&CO. shall provide notice to CASI immediately upon the commencement or threat of any action brought against LS&CO. whose outcome may affect the rights of any CASI Indemnified Party.

11.4 Intellectual Property Rights Problems

(a) The validity and soundness of CASI's Intellectual Property Rights in the System and the Work is obviously a critical concern for both CASI and LS&CO. A third party whose rights are infringed could have a claim for damages. That third party could stop or, even with a baseless threat, delay completion of the Work. Ultimately, it could prevent LS&CO. from using the System.

(b) Accordingly, this Agreement contains a number of rules relating to the subject. Exhibit L is a list of CASI's patents. In Section 12.1(a), CASI formally confirms to LS&CO. that there is no basis for a third party infringement claim. In Section 11.2(a)(iii), CASI confirms that it will indemnify LS&CO. against any such claim. Section 11.4(c) addresses the practical but critical issue of actual completion and use if there is a problem, choate or inchoate.

(c) If a third party alleges, formally or informally, that CASI or LS&CO. is or would infringe or violate that third party's Intellectual Property Rights or other rights by reason of the design, fabrication, installation or use of a System or any component of any System,

or by reason of any other aspect of the Work, or, if in LS&CO.'s reasonable opinion, there exist circumstances suggesting the substantial likelihood or possibility of such a claim, then CASI, at its expense and as approved by LS&CO. shall: (i) procure for LS&CO., in form and content satisfactory to LS&CO., the right to continue using the System; (ii) replace or modify the System so that it becomes non-infringing, it being understood, however, that the System as modified or replaced must continue to meet the Performance Standards; or (iii) take those other actions as may be appropriate given the credibility, scope and timing of the allegation or claim. Needless to say, CASI shall fix the problem as quickly as possible and in a manner that is approved by LS&CO. LS&CO., upon such a fix, shall not be entitled to additional remedies against CASI for the Intellectual Property Rights problem, unless of course the fix proves ultimately to be, or later becomes, infringing, and LS&CO. faces a Claim to that effect.

11.5 Remedies

(a) This Agreement obviously creates a number of legal obligations and exposures for both CASI and LS&CO. They believe it desirable to both review and state the principal "remedies" for violations of those obligations. That is the purpose of this Section 11.5.

(b) The first remedial principle is that, after Final Acceptance of a System, LS&CO.'s sole remedy for liability of CASI with respect to that System for defective design, fabrication, installation, support, parts, materials, workmanship or operation of that System (including, without limitation, the System's failure to later meet Performance Standards or injury to property) shall be the warranty and service remedies described in Section 10. This "exclusive remedy" rule shall not apply, however, to problems associated with infringement or alleged infringement by that System of a third party's Intellectual Property Rights or with disablement or damage to the System by reason of any intentional act of CASI, its employees, agents or representatives.

(c) The second remedial principle is that monetary damage remedies are limited as both kind and amount. Neither CASI nor LS&CO. shall be liable to the other for any indirect, loss of profit, loss of use, loss of production, products liability, incidental, special or consequential damages arising out of or in connection with any breach of any provision of this Agreement, regardless of whether that party has been advised of the likelihood of these damages arising from a breach. That said, this limitation shall not apply to any claim:

- by CASI based on a disclosure of the Licensed Software Source Code or Licensed Software Object Code that is the result of a violation of Section 4.7; or

- by LS&CO., directly or by way of indemnification, arising from a breach of the representation contained in Section 12.1(a) or the

indemnification obligation contained in Section 11.2(a)(iii).

MOREOVER, LS&CO.'S CUMULATIVE LIABILITY TO CASI, AND CASI'S CUMULATIVE LIABILITY TO LS&CO., FOR ANY AND ALL BREACHES OF OR OTHER MATTERS RELATING TO THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, THE MATTERS NOTED IN THE PRECEDING BULLET-POINTS, AMOUNTS THAT MAY BE OWING UNDER THE INDEMNIFICATION OBLIGATIONS CONTAINED IN SECTION 11.2 AND AMOUNTS THAT MAY BE OWING AFTER "PURSUIT OF LEGAL REMEDIES" AS CONTEMPLATED AND PERMITTED BY SECTIONS 15.3 AND 15.6), SHALL NOT IN EITHER CASE EXCEED $10 MILLION. (THIS CAP DOES NOT AFFECT ANY AMOUNTS THAT MAY BE OWING BY LS&CO. TO CASI UNDER SECTION 9 OR IN RESPECT OF DEMOBILIZATION COSTS UNDER SECTION 15.)

(d) The third remedial principle is that, subject to these restrictions including the restrictions on monetary damages, both CASI and LS&CO. shall be entitled to pursue whatever other remedies may be available to it for breaches of obligations created under this Agreement, whether those remedies are expressly created here or are otherwise available under applicable law. To be clear about those "otherwise available" remedies:

- Both CASI and LS&CO. shall be entitled to seek injunctive relief for breaches of the confidentiality and public disclosure obligations contained in Section 14, it being mutually acknowledged that damages may be an inadequate remedy.

- LS&CO. shall be entitled to injunctive relief with respect to breaches of Section 12.2 and 15.6, it being acknowledged by CASI that damages may be an inadequate remedy.

- CASI shall be entitled to injunctive relief with respect to breaches of Section 4.7, 12.8 and 14.3, it being acknowledged by LS&CO. that damages may be an inadequate remedy.

- LS&CO. shall be entitled to specific performance of the provisions of Sections 4.6 and 15.6(b) and, in that context, the rights of specific performance and replevin contemplated by Section 2716 of the California Commercial Code.

- CASI shall be limited in its pursuit of claims against FD as provided in Section 6.2(c).

This articulation of remedies for particular problems does not necessarily mean that the same or similar remedies are not available for other types of problems; this simply is intended to confirm CASI's and LS&CO.'s agreement that the articulated remedies are and shall be available.

(e) The fourth remedial principle is that CASI and LS&CO. shall try to resolve disputes, about both the Work (for example, Change Orders, Force Majeure Conditions and Building-related developments) and the interpretation of this Agreement, in good faith, quickly and by themselves. To that end, they shall work through the "Management Team" process described in Exhibit G. If there is a dispute not "within the jurisdiction" of the Management Team (for example, a dispute about the "exclusivity" rule described in Section 12.2), then each of their respective project managers (presently, Robert Doty of CASI and John Serlin of LS&CO.) shall meet within five days after written request by either party and try to solve the problem. If they are unable to do so within 15 days after the meeting request, then the chief executive officer of CASI and the head of logistics at LS&CO. (presently, Jim O'Donnell of CASI and Dick Westrich of LS&CO.) shall meet within ten days after expiration of that 15-day period. If they unable to solve the problem within 15 days after their meeting, then either CASI or LS&CO. may suggest that the problem be submitted to Judicial Arbitration and Mediation Service, Inc., in San Francisco, for arbitration or mediation. Neither CASI nor LS&CO. is required to accept that suggestion and, at that point, may "pursue its legal remedies" as it sees fit.

(f) The fifth remedial principle is that, except in specific and limited cases, CASI shall continue performing the Work, the various licenses granted under Section 4 shall remain effective and LS&CO. shall continuing paying CASI, during the pendency of any dispute or breach or alleged breach of an obligation under this Agreement. To that end, CASI shall not stop, delay or alter its Work during any such period unless the problem is a material breach by LS&CO. of its payment obligations under Section 9. (For example, CASI may not stop Work if LS&CO. has breached, or CASI believes LS&CO. has breached, a confidentiality obligation under Section 14.) Similarly, LS&CO. shall not withhold any payments to CASI during any such period except as specifically permitted under Section 9.10. (Section 15.7 explains the license termination rules.)

(g) The sixth and final remedial principle is that this Agreement creates specific responses for particular problems. For example, Section 9.10 provides for payment withholding in certain cases, and Section 11.2 contains specific entitlements and procedures for indemnification. In specific but limited circumstances, CASI or LS&CO. may terminate this Agreement or LS&CO. may declare a Completion Risk Event. Those matters are described in Section 15.

12. Other Representations, Warranties and Agreements

12.1 Representations and Warranties. CASI represents and warrants to LS&CO. that:

(a) neither any System nor any material component of any System, including any material component of the Equipment, Hardware and Licensed Software, violates or infringes any Intellectual Property Right or other right of any third party (as contemplated by Section 11.2(a)(iii),

these "materiality qualifications" do not limit CASI's indemnification obligations);

(b) all three Systems and all components of all three Systems, including the Equipment, Hardware and Licensed Software, and all licenses granted to LS&CO., are and shall be free and clear of all security interests, liens, claims or other encumbrances and CASI has not and will not take any action, or allow any third party to take any action, that will or may have the effect of placing a lien, security interest, claim or encumbrance on any System or any System component or any license granted under this Agreement, it being understood that Section 12.7 describes some specific rules relating to mechanics' liens relating to the Work and should be read as a qualification of this representation;

(c) all CASI employees or Vendors who have written or created and/or who will write and create any Licensed Software or design any Equipment or Hardware are or will be obligated to assign their rights to CASI (an example of CASI's current assignment document is attached as Exhibit Q);

(d) running the Licensed Software will not require licensing by LS&CO. of any software developed or sold by any person other than CASI except as identified in Exhibit R;

(e) CASI is not a party to any litigation, arbitration or other matter that may reasonably have a materially adverse affect on its ability to timely complete the Project; and

(f) CASI is a corporation duly organized, validly existing and in good standing under the laws of the State of California. CASI is qualified to do business in and is in good standing in Nevada, Kentucky and Mississippi. CASI has all requisite power and authority to own, lease and operate its properties, to carry on its present business and to enter into and perform this Agreement. The signing, delivery and performance by CASI of this Agreement has been duly and validly authorized by all necessary corporate action on the part of CASI. This Agreement constitutes a valid and binding obligation of CASI and is enforceable against CASI in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance of this Agreement by CASI will not: (i) violate or conflict with any provision of its articles of incorporation or bylaws, (ii) violate, conflict with, result in a breach or termination of, or result in the loss of any benefit under, any contract or other instrument to which CASI is a party or by which it or any of its assets is bound, (iii) result in the creation of any lien on any assets; (iv) violate any judgment, order, injunction, decree or award that binds CASI or any of its assets or (v) constitute a violation of law.

12.2 Exclusivity. To the extent permitted by law, from now until January 1, 2000, CASI shall not design, install, sell, or otherwise make available all or any part of the System, or any similar system, or permit

access to the Beta Site of any known or "reasonably should-be-known" representative of VF Corp., Haggar Apparel Co. or Farah Manufacturing Co., or any existing or future subsidiary, parent or affiliate or successor (by way of merger, consolidation, liquidation, sale of substantially all assets or material trademark license identified to CASI by LS&CO.) of any of those companies.

12.3 McKesson Repayment. At least once every three months from now until the Project Final Acceptance Date, CASI shall provide LS&CO. with sufficient evidence that CASI has timely paid all monies due and owing to McKesson Corporation with respect to CASI's prior repurchase of certain license rights from McKesson Corporation.

12.4 Balance Sheet. From now until the Project Final Acceptance Date, CASI shall: (i) within 45 days of the end of each CASI fiscal quarter, provide LS&CO. with its unaudited balance sheet and (ii) within 75 days after the end of each CASI fiscal year, provide LS&CO. with a balance sheet audited by its outside accounting firm.

12.5 Material Litigation. From now until the Project Final Acceptance Date, CASI shall provide written notification and information to LS&CO. within 15 days of the filing by or service against CASI of any litigation, arbitration or other proceeding by or against it, which litigation, arbitration or other proceeding could reasonably have a materially adverse effect upon CASI's ability to timely complete the Work in accordance with this Agreement or could result in a judgment of the type described in Section 15.5.

12.6 Title. Title to any piece of Equipment or Hardware shall pass from CASI to LS&CO. upon its delivery to and placement within the Building. Risk of loss to any piece of Equipment or Hardware shall pass from CASI upon delivery to the shipper. (That said, CASI shall be responsible for any damage it may cause to those materials once there arrive at the Buildings, including, for example, damage caused by unpacking, improperly storing them or moving them.)

12.7 Liens

(a) Every time CASI delivers a Reconciliation Statement, CASI shall provide to LS&CO. a partial lien waiver (excluding amounts retained), in the various forms required by applicable laws, relating to the period covered by the Reconciliation Statement. In addition, CASI shall provide LS&CO. with partial lien waivers and similar documents that may be reasonably requested by LS&CO.'s title insurers, lenders and the like.

(b) CASI shall promptly pay its Vendors and taxing authorities. It shall keep the Work-in-progress and Buildings free and clear of liens or other claims by Vendors or taxing authorities relating to Reimbursable Taxes. In all events, if at any time a notice of lien is filed against LS&CO. by a Vendor or any other person for whom CASI is responsible, CASI shall within 45 days discharge, remove or bond that lien or claim to

LS&CO.'s reasonable satisfaction. If it does not, LS&CO. may discharge or otherwise dispose of the claim, and CASI shall reimburse LS&CO. for the latter's costs and expenses in doing so, including reasonable attorneys' fees. In addition, every time it delivers a Reconciliation Statement, CASI shall provide to LS&CO. a partial lien waiver from each Major Vendor, in the various forms required by applicable laws, relating to the period covered by the Reconciliation Statement. If the Major Vendor refuses to provide such a document, CASI shall promptly furnish a bond reasonably satisfactory to LS&CO.

12.8 Document Ownership. LS&CO. confirms that CASI owns the Basic System Documents and Completion Documents. LS&CO. is entitled to use them only for purposes of the Project, including completion of the Systems if it declares a Completion Risk Event and, in the case of the Basic System Documents, operation of the Systems after installation. It is not entitled, for example, to use them to equip an Additional Site. LS&CO. shall return any Completion Documents in its possession after the earlier of the Project Final Acceptance Date (that is, a CASI completion of the Project), a termination by CASI of this Agreement under Section 15.2, LS&CO.'s abandonment or completion itself of the installation of the Systems or, upon CASI's request, the date six months after LS&CO., under Section 15.4, directed CASI to suspend or reduce all or a substantial portion of the Work and has not, during that six month period, directed CASI to resume performance of all or a substantial portion of the remaining Work.

12.9 Beta Site. CASI operates a "Beta Site" at its Hayward headquarters. It shall keep the Beta Site intact and in operation until the later of one year after the Project Final Acceptance Date or the last day CASI is obligated, under Section 10 or otherwise, to provide service or maintenance activities to LS&CO. after the Project Final Acceptance Date. (That said, CASI may propose to LS&CO. that the Beta Site be dismantled earlier; CASI and LS&CO. shall jointly make a decision.) At the time of "tear-down" of the Beta Site, CASI shall be entitled to keep all of its components, other than the OCIS, Kosan sorter and Flexpac components; it shall return those, at its expense, to LS&CO.

12.10 Little Rock. LS&CO. intends to retain CASI to customize and install Mandate(R) software for use at LS&CO.'s Little Rock CSC. The terms of that agreement shall be modeled on and consistent with the provisions in this Agreement relating to Licensed Software, including Section 4, Section 10 and Section 12.1. LS&CO. and CASI shall try to complete and sign that agreement by December 31, 1994; failure to do so shall not be considered a breach of this Agreement by either LS&CO. or CASI.

12.11 Corporate Standing. From now until the end of the latest Warranty Period to expire, CASI shall maintain its corporate existence, its corporate "good standing" in California and its qualification to do business and good standing in Nevada, Kentucky and Mississippi. This is important because loss of any of those statuses could jeopardize CASI's ability to perform Work or proceed against Vendors in those jurisdictions.

12.12 Work under the Letter Agreements

(a) As noted in the "Background" section, LS&CO. funded CASI activities under the Letter Agreements. CASI did this work on LS&CO.'s behalf and at LS&CO.'s risk; that is, LS&CO. was obligated to pay CASI whether or not the research was successful, with no right to recover the funds if was not and no warranties "backing up" the work. This Section 12.12(a) confirms that the licenses and other rights granted LS&CO. under this Agreement encompass the intellectual property developed by CASI under the Letter Agreements, including, without limitation, the analysis of material flows, the basic design and "lay-out" of the System, the design of individual System components and the related documentation. This Section 12.12(a) also confirms that the warranties contained in Section 10 apply only to completed and "Finally Accepted" Systems (and not to work performed under the Letter Agreements), and do not entitle LS&CO. to recover amounts or otherwise "obtain redress" under the Letter Agreements.

(b) LS&CO., with (at LS&CO.'s expense) Andersen Consulting, participated heavily in System design. Their contributions are reflected throughout, particularly with respect to overall System layout and to the design and ergonomic engineering of the various work stations. This Section 12.12(b) confirms that LS&CO.: (a) grants to CASI a perpetual, exclusive (other than of course to LS&CO.), irrevocable, royalty-free, fully paid license to use, in the Systems and in Flexmaster(R) design and installation projects and any other systems for other CASI customers anywhere in the world, all design elements, features and enhancements developed by LS&CO. for the Systems, and (b) shall not assert against CASI any Intellectual Property Rights, including, without limitation, patent rights arising under any United States or foreign patent now owned by, or later issued or assigned to, LS&CO., applicable to any of these design elements, features or enhancements, or require any fees or royalty from CASI based upon any such Intellectual Property Right. Finally, LS&CO. and Andersen Consulting shall have no continuing obligations or responsibilities to CASI with respect to any of these design elements, features or enhancements.

13. Ownership and Assignment

13.1 CASI Principal Shareholders. Concurrently with the signing of this Agreement, Holmes-Hally Industries and James V. O'Donnell (the "Principal Shareholders") are entering into a separate agreement with LS&CO. in the form attached as Exhibit W.

13.2 Assignments

(a) Neither CASI nor LS&CO. may assign its right or delegate its duties under this Agreement without the prior written consent of the other party, except that, as elaborated in Section 13.2(b), LS&CO. may, without obtaining CASI's consent, do so to any person to whom ownership of the Buildings may be transferred. In all cases, the assignee or delegee must confirm in writing to the other party its agreement to be bound by this

Agreement, and no assignment or delegation shall relieve the assigning or delegating party of any of its obligations. In addition, and in all events, from now until the expiration of the last of the Warranty Periods, CASI shall not issue any CASI securities or engage in any merger, consolidation or sale of substantially all assets transaction, if that transaction would result in the Principal Shareholders (or their permitted transferees, as contemplated by Exhibit W) collectively owning securities representing less than thirty percent (30%) of the voting control in CASI or the entity holding CASI's assets, without LS&CO.'s prior written consent. LS&CO. shall not withhold its consent if CASI can demonstrate to LS&CO.'s satisfaction that the transaction would not jeopardize CASI's timely and complete performance of its obligations under this Agreement.

(b) LS&CO. may transfer ownership of a Building and the System located in the Building to an affiliate or to a third party. If it transfers a System to an affiliate, then the affiliate shall be treated as a "full" assignee and delegee under this Agreement. For example, it shall be entitled to access the Licensed Software Source Code. If it transfers a System to a third party, then the third party shall be entitled only to use the Licensed Software Object Code for that System, and shall have no rights to the Licensed Software Source Code, Licensed Software Base Code, Basic System Documents or Completion Documents for use at the transferred site or at any other location.

13.3 LS&CO. Ownership. LS&CO. confirms to CASI that it is a wholly-owned subsidiary of Levi Strauss Associates Inc., a Delaware corporation.

14. Confidentiality

14.1 Confidential Information

(a) CASI and LS&CO. are obviously telling each other a great deal of sensitive information. For example, design of each System required LS&CO. to share with CASI proprietary information about LS&CO. regional distribution volumes. CASI, of course, "bared" its technology to LS&CO. With that (and the sheer volume of data and paper exchanged over time) in mind, CASI and LS&CO. agree to this set of rules:

(b) CASI shall not disclose to any third party any Confidential Information provided by LS&CO. LS&CO. shall not disclose to any third party any Confidential Information provided by CASI. That said, they may disclose it only to those officers, directors, employees, accountants, lawyers, lenders, investment bankers, Major Vendors and consultants as have actual need for this information in connection with their involvement with the Project. For example, CASI's lawyers, lenders and stockholders have no "actual need" to see or use LS&CO. regional distribution volumes, and that data shall not be made available to them. CASI and LS&CO. shall be responsible for improper disclosures by their respective permitted third party users and, of course, by their employees and other persons for whose

acts they may be liable. (FD is not considered a "third party user" under this Section 14; the separate FD/CASI confidentiality agreement governs all matters relating to the use by FD of CASI confidential information.)

(c) CASI and LS&CO. (and any of their permitted third party users) shall use Confidential Information provided by the other solely in connection with the evaluation, design, fabrication, installation and performance of the Project and the operation and maintenance of the Systems.

(d) If there is an inadvertent disclosure or unauthorized use of Confidential Information, CASI or LS&CO., as the case may be, shall take all reasonable actions to prevent any further disclosure or unauthorized use. This provision shall not be understood as requiring CASI or LS&CO. to file any legal actions to enforce confidentiality or to prevent unauthorized use of the Confidential Information.

(e) Any legally required disclosure (for example, in response to a subpoena or governmental investigation or disclosure requirement) shall not be considered a violation of these rules but the party facing that disclosure obligation shall promptly advise the other party of the impending disclosure.

(f) Neither CASI nor LS&CO. shall have any obligation to the other with respect to any particular Confidential Information which is disclosed to CASI or LS&CO. (the "receiving party") by the other if:

- the Confidential Information was known to the receiving party at the time of initial disclosure to the receiving party; or

- the Confidential Information is or becomes publicly known or otherwise enters the public domain through no wrongful act of the receiving party; or

- the Confidential Information is received by the receiving party from a third party which has no obligation to maintain it in confidence; or

- the Confidential Information is later developed independently by the receiving party without use of any Confidential Information.

14.2 Price. CASI shall not, except as permitted by Section 14.1 or as otherwise approved in writing by LS&CO., disclose to any person the amount paid by LS&CO. to CASI for the development and installation of the Systems. That said, CASI may disclose that the price paid by LS&CO. for the Work exceeded $100 million, and it may disclose in its financial statements the actual amount paid by LS&CO.

14.3 Access to Systems

(a) CASI, including its officers, directors, employees, sales and marketing agents, other agents, suppliers, vendors, and potential customers (other than the persons set forth in Section 12.2) may, upon at least five days advance notice to LS&CO., enter the Buildings and view, inspect and monitor the performance and operation of each of the Systems. They may also visit the Little Rock CSC on the same basis.

(b) LS&CO. shall cooperate with CASI in order to allow the Beta Site and each System to serve as showcase facilities for the Flexmaster(R) system.

(c) CASI shall have the right to make one film of each System (and of the Little Rock operation) (for a total of four films) following the System Final Acceptance Date for that System. LS&CO. shall have the right to approve the content of each film. LS&CO. shall cooperate with CASI in order to allow CASI to make those films. CASI shall pay the cost of producing those films. LS&CO. may, at its expense, obtain from CASI one or more copies of the films for its own use. CASI shall not make any of the films available to any of the persons identified in Section 12.2 prior to January 1, 2000.

15. Termination; Completion Risk Events

15.1 Generally. The termination rules in this Section 15 reflect the theme of this Agreement: the Project is of enormous importance to both CASI and LS&CO. From CASI's perspective, it must have the ability to "free up" its (essentially fully-dedicated) resources and move on to new opportunities if LS&CO. does not pay properly for the Work or if the Work is suspended for an extended period due to Building construction, LS&CO. "reconsideration" or other difficulties. From LS&CO.'s perspective, installation of the System on a timely basis is critical to the success of its reengineering efforts. Accordingly, it must have the ability typically afforded to project owners: the ability to "step in" and complete a project using the vendor's resources if the vendor fails to perform. This is a complex and unpalatable (to both CASI and LS&CO.) scenario but one for which the legal and commercial mechanics must be in place.

15.2 Termination by CASI. CASI may terminate this Agreement if:

(a) LS&CO. or LSAI becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, is wound up, liquidated or dissolved (voluntarily or otherwise but not as part of a corporate internal reorganization), suffers the appointment of a receiver for its business or assets or has a petition under any bankruptcy or insolvency law filed against it and that petition is not dismissed within 60 days; or

(b) LS&CO. breaches a material payment obligation under Section 9 of this Agreement and fails to cure the breach within 10 days after receiving written notice of the breach, it being understood that a proper

(or, as explained in Section 9.10, good faith "colorable claim") payment withhold under Section 9.10 shall not be treated as such a "breach." CASI shall effect the termination by providing to LS&CO. a written notice to that effect. That termination will have the consequences described in Section 15.3.

15.3 Effect of Termination by CASI. These are the consequences of a termination by CASI under Section 15.2: (a) on the effective date of the termination, CASI will be discharged and free of all of its "going forward" obligations under this Agreement, except for those contained in Sections 4.8, 9.14, 11.2(a)(iii), 11.3, 11.5, 12.7, 12.9, 14.1, 14.2, 15.3, 15.7, and 15.8; (b) on the effective date of the termination, LS&CO. will be discharged and free of all of its "going forward" obligations under this Agreement, except for those contained in Sections 4.7, 4.8, 9.14, 11.2(b), 11.3, 11.5, 12.8, 12.9, 12.12, 14.1, 15.3, 15.7, and 15.8; (c) LS&CO. shall pay CASI for Work completed prior to the termination date and for Demobilization Costs; (d) LS&CO. shall pay CASI all amounts retained in respect of the Equipment Fixed Price and not yet paid under Section 9.8; and (e) LS&CO. shall pay to CASI a percentage of all unpaid (whether or not earned) Licensed Software milestone payments described in Section 9.3(b), up to a maximum amount of $1,500,000 (that percentage shall be determined by multiplying a fraction, the numerator of which shall be the number of days from February 19, 1993 until the termination date, and the denominator of which shall be 1,411 (that is, the number of days from February 19, 1993 until the scheduled Project Final Acceptance Date), times that remaining unpaid amount)). CASI shall also be free to pursue its legal remedies and shall not be obligated to return any amounts to LS&CO., unless of course LS&CO. prevails on a counterclaim or the like in a legal proceeding.

15.4 Suspension

(a) LS&CO. may at any time, by giving written notice to CASI as contemplated by Section 5.3, suspend the Work, or any portion of the Work, at any or all of the Buildings. It shall pay CASI for completed Work and for the reasonable out-of-pocket costs of standing-by and demobilization, including cancellation charges of Vendors or rental of additional storage space for Work-in-progress (together, "Demobilization Costs"), and work with CASI in determining the appropriateness of redeployment of CASI resources to other Buildings or other changes in the Work plan, Project Schedule or Compensation.

(b) If at any time LS&CO. directs CASI to suspend or reduce all or a substantial portion of the Work and that suspension or reduction lasts for 60 days or more, then CASI may notify LS&CO. of its election to be relieved from its obligations under Sections 3.2(b) and 3.3. If LS&CO. does not within seven days after receipt of that notice direct CASI to resume all or a substantial portion of the remaining Work, then CASI shall be considered "free" of those Section 3.2(b) and 3.3 restrictions and, as a result, may take on new projects and redirect its resources.

(c) In addition, on the date six months after LS&CO., under

this Section 15.4, has directed CASI to suspend or reduce all or a substantial portion of the Work and has not, during that six month period, directed CASI to resume performance of all or a substantial portion of the remaining Work, LS&CO. shall pay CASI all amounts retained in respect of the Equipment Fixed Price and not yet paid under Section 9.8, and shall pay to CASI a percentage of all unpaid (whether or not earned) Licensed Software milestone payments described in Section 9.3(b), up to a maximum amount of $1,500,000 (that percentage shall be determined by multiplying a fraction, the numerator of which shall be the number of days from February 19, 1993 until that six month date, and the denominator of which shall be 1,411 (that is, the number of days from February 19, 1993 until the scheduled Project Final Acceptance Date), times that remaining unpaid amount)). LS&CO. shall also at CASI's request return to CASI all Completion Documents then in LS&CO.'s possession.

(d) That all said, CASI shall during such a suspension or reduction remain obligated to perform the Work and shall resume its performance, in accordance with a mutually-agreed remobilization plan, upon receipt from LS&CO. of a written notice to that effect. In addition, it is understood that a direction by LS&CO. to CASI to delay or defer Work because of Force Majeure Conditions is not a "suspension" or "reduction."

15.5 Completion Risk Events. LS&CO. may declare a "Completion Risk Event" if:

- CASI becomes insolvent (other than as a result of a material breach by LS&CO. of this Agreement), makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, is wound up, liquidated or dissolved (voluntarily or otherwise), suffers the appointment of a receiver for its business or assets or has a petition under any bankruptcy or insolvency law filed against it and that petition is not dismissed within 60 days; or

- CASI breaches a material obligation under this Agreement and fails to cure the breach within 30 days after receiving written notice of the breach, provided that the "cure date" shall be extended to 90 days (in total, counting the first 30) if CASI is diligently working to correct the problem throughout the entire 90 day period;

- Six or more of the 12 employees identified in Exhibit P leave the employ of CASI (other than to join LS&CO. or FD) in any six-month period and CASI fails to assign replacements for each of them, satisfactory to LS&CO., within 90 days after each individual's departure;

- CASI suffers any judgment that exceeds its applicable insurance coverage by more than $5,000,000 if that judgment is not satisfied, superseded, discharged or

stayed (by appeal or otherwise) within 60 days after its entry;

- CASI fails to achieve a Milestone Event within 30 days after the scheduled date for that event, as that date may be adjusted by Change Order (for example, one resulting from a Force Majeure Condition), provided that the "cure date" shall be extended to 90 days (in total, counting the first 30) if CASI is diligently working to achieve the Milestone Event throughout the entire 90 day period; or

- Two or more of the Major Vendors terminate, cancel or suspend their work under their Vendor Agreement, as a result of a material breach by CASI of its obligations under the applicable Vendor Agreement.

Before declaring a Completion Risk Event, LS&CO. shall send to CASI a written notice of its intent to do so, including a brief explanation of its reasons. At CASI's request, LS&CO. will participate in a meeting, to be held within ten days after delivery of that notice, at which CASI may present a workplan or whatever assurances it wishes to offer LS&CO. that CASI can complete the Project in accordance with this Agreement and the Project Schedule, or short of that, how it can participate in completion of the Project by reducing its scope. For example, it may propose focusing on one or two System installations, or on software development or System testing or training. (This, in effect, is a preview of the discussions contemplated by Section 15.6(b).) In all events, within three days after that meeting, LS&CO. shall advise CASI, in writing, that it has declared, or will not declare, a Completion Risk Event. This decision shall be entirely within LS&CO.'s discretion.

15.6 Effect of Declaration of a Completion Risk Event. LS&CO. shall have two options if it declares a Completion Risk Event:

(a) First, it may abandon installation of the Systems and terminate the Agreement. LS&CO. shall effect the termination by providing to CASI a written notice to that effect. If it does that, then: (i) on the effective date of the termination, CASI will be discharged and free of all of its "going forward" obligations under this Agreement, except for those contained in Sections 4.8, 9.14, 11.2(a), 11.3, 11.5, 12.2, 12.9, 14.1, 14.2, 15.6, 15.7 and 15.8; (ii) on the effective date of the termination, LS&CO. will be discharged and free of all of its "going forward" obligations under this Agreement, except for those contained in Sections 4.7, 4.8, 9.14, 11.2(b), 11.3, 11.5, 12.8, 12.12, 12.9, 14.1, 14.2, 14.3, 15.6, 15.7 and 15.8; (iii) LS&CO. shall pay CASI for Work completed prior to the termination date (less proper withholds, if any, under Section 9.10); and (iv) if the Completion Risk Event was on the basis described in the first or second bullet points of Sections 15.5, LS&CO. shall be free to pursue its legal remedies.

(b) Second, it may decide to complete the installation of the Systems. In that case:

- If the Completion Risk Event "relates" to one System only (for example, if CASI has "ignored" one System in order to focus its resources on the other two), LS&CO. and CASI shall attempt to negotiate in good faith (but neither are bound to enter into) a Change Order addressing the scope and pricing of CASI's continued work on the unaffected Systems. If, however, the Completion Risk Event "relates" to more than one System, LS&CO. shall not be obligated to participate in such a negotiation. Unless the Completion Risk Events is "Project-wide" (for example, as described in the first, third and fourth bullet points of Section 15.5) or "relates" to development of the Licensed Software, CASI shall be entitled to continue performing (and being paid for) its Licensed Software Development Activities under Section 4 and Section 9.3;

- LS&CO. may complete the development, installation and testing of the Systems through use of its rights under Section 4.6;

- CASI shall make its employees reasonably available to LS&CO for consultation and LS&CO. may solicit and offer employment to any CASI or Vendor employee, it being understood that CASI shall be considered to have waived its rights with respect to any nondisclosure obligations which it may have under any nondisclosure or employment agreements with these employees or Vendors to the extent necessary for these employees to assist LS&CO. in completing the Systems;

- CASI shall promptly deliver to LS&CO. complete copies, in tangible or electronic form, of the Licensed Software Source Code, the Licensed Software Object Code, the Licensed Software Base Code, the Basic System Documents and the Completion Documents, in their most current form, for purposes of completing the Systems and for facilitating LS&CO.'s exercise of its rights under Sections 4.3, 4.4, 4.5 and 4.6, it being understood that use of the Basic System Documents and Completion Documents is limited by Section 12.8;

- upon request by LS&CO., CASI shall assign to LS&CO., in form and content satisfactory to LS&CO., CASI's title to materials and equipment for the Work and all Vendor Agreements and other documents or authorizations required by LS&CO. to complete the Systems, it being understood that CASI shall remain solely responsible for any of its pre-assignment obligations to Vendors and other persons party to contracts being assigned to LS&CO.;

- CASI will be discharged and free of all of its "going forward" obligations under this Agreement, except for those contained in Sections 4.8, 9.14, 11.2(a), 11.3, 11.5, 12.2, 12.9, 14.1, 14.2, 15.6, 15.7 and 15.8;

- LS&CO. will be discharged and free of all of its "going forward" obligations under this Agreement, except for those contained in Sections 4.7, 4.8, 9.14, 11.2(b), 11.3, 11.5, 12.12, 12.8, 12.9, 14.1, 14.2, 14.3, 15.6, 15.7 and 15.8;

- LS&CO. shall pay CASI for Work completed prior to the termination date (less proper withholds, if any, under Section 9.10);

- LS&CO. may be obligated to pay CASI additional amounts for the Licensed Software as described in the second bullet-point of Section 9.3(c); and

- if the Completion Risk Event was on the basis described in the first or second bullet points of Sections 15.5, LS&CO. shall be free to pursue its legal remedies.

Additional implications are explained in Sections 9.3(c), 15.7 and 15.8.

15.7 Impact on Licenses

(a) In Section 4, CASI grants licenses to LS&CO. that permit LS&CO. to use the Licensed Software Object Code, the Licensed Software Source Code, the Basic System Documents and the Completion Documents. Those licenses have various purposes. First, on the assumption that CASI will complete the Project, they of course permit LS&CO. to use the Licensed Software in operating and maintaining the Systems. Second, they permit LS&CO. to complete and operate the Systems should LS&CO. declare a Completion Risk Event and decide to complete the installations. Third, they permit LS&CO. to use the Licensed Software Base Code at Additional Sites.

(b) "Termination" is a blunt concept in this context but its

impact on the licenses must be articulated:

- there is no impact on the licenses if LS&CO. declares a Completion Risk Event and decides to complete the installations (that is, they are in existence and they all remain in effect);

- the licenses terminate if LS&CO. takes the action described in Section 15.6(a); and

- the licenses terminate if LS&CO. materially breaches its Licensed Software payment obligations under Section 9.3 and on that basis CASI terminates the Agreement under Section 15.2, it being understood that CASI can terminate the licenses for that reason only, regardless of breach by LS&CO. of any other provision of this Agreement, and it being further understood that in no case may CASI terminate a license with respect to an individual System after System Final Acceptance or completion by LS&CO. of that System. LS&CO. is free to prevent termination by paying in full the amounts owing under Section 9.3.

If there is a revocation of the licenses, LS&CO. at CASI's request shall return all Confidential Information relating to the Licensed Software, and also copies of operating and maintenance manuals.

15.8 Effect on Other Provisions. The general provisions contained in Section 16, including both "affirmative obligation" (for example, Sections 16.4 and 16.14) and "contract administration/interpretation" provisions (for example, Sections 16.2 and 16.8) shall remain in effect for as long as other (labeled in this Section 15, "going forward") obligations remain in effect after a "termination" of this Agreement or declaration of a Completion Risk Event. In addition, to the extent that CASI continues working after a Completion Risk Event, the relevant provisions of this Agreement (for example, Sections 3, 4 and 5-10) shall remain applicable to those activities and deliverables.

16. Other Matters

16.1 Force Majeure. Any delays in or failure of performance by LS&CO. or CASI, other than payment of money, shall not constitute a default if and to the extent those delays or failures of performance are caused by occurrences (collectively, "Force Majeure Conditions") beyond the reasonable control of LS&CO., or CASI, as the case may be. These occurrences include, without limitation: Acts of God or a public enemy; expropriation or confiscation of facilities; compliance with any order or request of any governmental authority; act of war; rebellion or sabotage or resulting

damage; fires, floods, explosions and accidents; riots or strikes or other concerted acts of workmen, whether direct or indirect; delayed or inadequate access to the Buildings; acts of the other party or of third parties; or any causes, whether or not of the same class or kind as these, which are not within the control of LS&CO., or CASI, respectively, and which by the exercise of reasonable diligence, LS&CO., or CASI, respectively, is unable to prevent. (That said, neither CASI nor LS&CO. is required to settle strikes or other labor controversies by acceding to the demands of the opposing party.) In all cases, no Force Majeure Condition shall be cause for a delay in a Final Acceptance Date or other milestone date or an increase in the Compensation unless CASI shall make a written claim to LS&CO. for an extension of the applicable date or increase in the Compensation, as the case may be, within 30 days of the occurrence giving rise to the claim, together with an explanation of the reason for the delay or increase. (CASI need make only one claim if there is a continuing delay.) Any claim by CASI for delay or increase in the Compensation due to a Force Majeure Condition shall be waived if not submitted by CASI within that 30 day period. If CASI makes a timely claim, it shall concurrently or promptly after making that claim give to LS&CO. a proposed Change Order, and CASI and LS&CO. shall handle that proposal under Section 5. Force Majeure Conditions shall not relieve a party of liability in the event of its failure to use reasonable diligence to remedy the problem. No claim for delay shall be allowed for LS&CO.'s failure to interpret the Basic System Documents until 30 days after written request is made for that interpretation and then not unless the failure to provide such interpretation is the sole cause of delay.

16.2 Notices. Before the Project Final Acceptance Date, any notice under this Agreement shall be given by mail or by courier delivery or facsimile transmission addressed to:

If to LS&CO.: Levi Strauss & Co.
c/o Fluor Daniel, Inc.
12790 Merit Drive, Suite 200
Dallas, Texas 75251
Attention: John Serlin, Project Leader
T: (214) 450-4570
F: (214) 450-4580

with copies to: Levi Strauss & Co.
1155 Battery Street, LS/5
San Francisco, California 94111
Attention: Keith Judd
T: (415) 544-7077
F: (415) 544-7922

Levi Strauss & Co.
1155 Battery Street, LS/7
San Francisco, California 94111
Attention: General Counsel
T: (415) 544-7411
F: (415) 544-7650

Fluor Daniel, Inc.
100 Fluor Daniel Drive
Greenville, South Carolina 29607-2762
Attention: S. P. Mitchell
T: (803) 281-5221
F: (803) 281-8818

Fluor Daniel, Inc.
12790 Merit Drive, Suite 200
Dallas, Texas 75251
Attention: M. S. Hopkins, Project Director
Levi Strauss & Co. Regional Distribution Network Project
T: (214) 450-4100
F (214) 450-4101

If to CASI:

Computer Aided Systems, Inc.
30991 San Clemente Street
Hayward, California 94544
Attn: James V. O'Donnell
T: (510) 429-2800
F: (510) 475-7481

with copies to:

Anderson, Ablon, Lewis & Gale
3435 Wilshire Boulevard, Suite 2000
Los Angeles, California 90010
Attention: Harris D. Bass
T: (213) 388-3385
F: (213) 388-8432

Pettit & Martin
101 California Street
San Francisco, California 94111-5881
Attn: Robert Burke or Robert L. Nelson, Jr.
T: (415) 434-4000
F: (415) 982-4608

After the Project Final Acceptance Date, copies of notices need not be sent to the two FD recipients. These addresses may be changed by delivery of a notice to that effect to the other party. Notices given in the manner contemplated by this Section 16.2 shall be considered "given" two business days after deposit in the mail or the first business day after the date of delivery to a courier or facsimile transmission, as the case may be.

16.3 LS&CO. Project Representative. LS&CO. shall designate a LS&CO. Project Representative. On the date of this Agreement, that person is John Serlin. The LS&CO. Project Representative and his or her designees shall have the sole authority on behalf of LS&CO. to approve any Change Orders. LS&CO. may change the designation of each LS&CO. Project Representative by providing written notice to that effect to CASI.

16.4 Further Assurances; Records

(a) CASI and LS&CO. shall sign those other documents and take those other actions as the other may reasonably request in order to effect the relationships and activities contemplated by this Agreement and to account for and document those activities.

(b) To that end, CASI shall account, on a System-by-System basis, for all charges associated with the Work in a manner acceptable to LS&CO., and shall maintain other appropriate records, as requested by LS&CO., relating to the Work. CASI shall keep its records for at least two years after the Project Final Acceptance Date. CASI shall also use reasonable efforts to see that its Major Vendors maintain appropriate accounting and other records. LS&CO. may upon appropriate notice and with appropriate "screening" devices in place (for example, to prevent disclosure of profit margins and the like) review and copy those records as part of its regular accounting, tax, financial, legal and related functions.

16.5 Time. Time is of the essence in this Agreement, including the Project Schedule, each and every term of this Agreement, and each and every date contained in the Project Schedule and this Agreement.

16.6 Lawyers. If there is any controversy, claim or dispute between CASI and LS&CO. arising out of or relating to this Agreement that results in the filing of a lawsuit, the prevailing party in that litigation shall be entitled to recover from the loser its costs and expenses, including, but not limited to, reasonable attorneys' fees and reasonable expert fees incurred in connection with that matter. This rule applies only if case is resolved by judicial action or arbitration; it does not apply if the case is settled. CASI and LS&CO. confirm that they were each represented by "big firm" and other counsel in the negotiation of this Agreement.

16.7 Survival. Except as provided in Section 15, all representations and warranties contained in this Agreement shall remain in effect, regardless of any investigations or examinations made by or on behalf of any party and shall survive the signing, delivery and termination of this Agreement.

16.8 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

16.9 Interpretative Principles

(a) This Agreement contemplates a number of situations where one party must obtain "approvals" or "consents" from, or is entitled to "direct" or obtain documents or actions from, the other party. In order to aid the readability of this rather lengthy and complex document, and in

recognition of principles of commercial law, LS&CO. and CASI did not include the typical explicit "reasonableness" qualifications to those provisions. It is understood that, except where specifically stated, all of those entitlements and decisions are subject to a "commercial reasonableness" standard.

(b) Similarly, this Agreement contains a number of provisions whose effect and meaning is affected by other provisions. Rather than seeding the document with numerous "subject to" or "unless suspended or terminated" phrases and the like, CASI and LS&CO. decided to state more generally their intent and rely on principles of contract interpretation, including particularly that articulated in Section 1641 of the California Civil Code ("the whole of a contract is to be taken together, so as to give effect to every part, if reasonably practicable, each clause helping to interpret the other").

16.10 Conflicting Provisions. If there is any conflict between this Agreement and any of the Exhibits, then the text of this Agreement shall control.

16.11 No Third Party Benefit. This Agreement is for the exclusive benefit of LS&CO. and CASI and not for the benefit of any third party.

16.12 Entire Agreement; Modifications. This Agreement and its Exhibits contain the entire agreement between CASI and LS&CO. and represent the final, complete and exclusive statement of LS&CO. and CASI and supersede any and all prior or contemporaneous agreements, communications, arrangements or understandings between CASI and LS&CO. including, without limitation, the Letter Agreements. This Agreement may not be explained or supplemented by any prior course of dealings between CASI and LS&CO. or by usage or trade and shall not be considered modified by terms and conditions contained in other documents prepared by LS&CO. or CASI including, without limitations, Applications for Payment, progress reports or the like. This Agreement may be modified only as stated in and by a writing signed by LS&CO. and CASI which refers specifically to this Agreement and states that it is amending this Agreement. No amendment of this Agreement shall release or exonerate in any way the surety on any bond given by CASI or any Vendor in connection with this Agreement, and LS&CO. shall not be required to provide notice to the surety of any amendment.

16.13 Waiver. No waiver of any of the provisions and conditions or granting of any consent shall be valid, unless in writing and signed by the party against whom enforcement of that waiver or consent is sought. Waiver of any default or breach of this Agreement or of any provision of this Agreement (including those relating to time of performance) shall not be considered a waiver of any later default or breach or of any provisions of this Agreement.

16.14 Employment Laws. In performing the Work, CASI shall comply fully with all applicable federal, state or local legislation relating to employment. CASI shall not discriminate against any employee because of

race, creed, color, sex, or national origin. This applies to but is not limited to: employment, promotion, demotion or transfer; recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of persons for training, including apprenticeships. LS&CO. has no responsibility or liability for treating CASI's employees as employees of LS&CO. for the purpose of safety or of keeping records, making reports or paying of any payroll taxes or contribution, and CASI shall indemnify and hold LS&CO. harmless and reimburse it for any expense or liability incurred under statutes in connection with employees of CASI. CASI shall keep and have available all necessary records and make all payments, reports, collections and deductions and otherwise do any and all things so as to fully comply with all federal, state and local laws, ordinances and regulations with respect to its employees, so as to fully relieve and protect LS&CO. from any and all responsibility or liability (other than, of course, for changes in the Compensation resulting from Change Orders, if any, relating to the use of union labor) in regard to the hire, tenure or conditions of employment of employees and their hours of work and rates of the payment of their work and the keeping of records, making of reports, and the payment, collection and/or deduction of federal, state, commonwealth and local taxes, contributions, pension funds, welfare funds, or similar assessments relating to its employees.

16.15 Days. Reference in this Agreement to "days" means calendar, not business, days.

16.16 Governing Law. This Agreement is to be governed by, interpreted under, and construed in accordance with, the laws of the State of California.

16.17 Counterparts. This Agreement may be signed in any number of counterparts.

* * * *

IN WITNESS WHEREOF, CASI and LS&CO. signed and delivered this Agreement on the date appearing in its first paragraph.

COMPUTER AIDED SYSTEMS, INC.

By: /s/James V. O'Donnell

James V. O'Donnell
Chairman and
Chief Executive Officer

LEVI STRAUSS & CO.

By: /s/Robert D. Rockey

Robert D. Rockey
Senior Vice President

GLOSSARY

This is the Glossary that accompanies the Materials Handling System Agreement dated October 31, 1994, between Computer Aided Systems, Inc. and Levi Strauss & Co. References to "Sections" and "Exhibits" are to those of the Agreement.

* * * *

"Additional Sites" is defined in Section 4.5.

"Affiliate" means, with respect to any person, any other entity or person which directly or indirectly controls, is controlled by, or is under common control with, the specified person. "Person" means any natural person or entity. "Control" means the direct or indirect ownership of stock or other equity interests, or contract or other rights, representing at least 30% of the equity interests of the issuing person, or entitling their holder to elect at least 50% of the directors or similar functionaries of the issuing person.

"Application for Payment" is defined in Section 9.5.

"Basic System Documents" means this Agreement but including only the following exhibits: the Scope of CSC Project, System Software, List of Equipment, Third Party Software and Facility Overview Drawings documents attached as Exhibits A, B, C, R and U, and the Licensed Software Specifications to be delivered as described in Exhibit B, all as may be amended under Section 16.12 or changed through the Change Order process from time to time.

"Begin First Site Production Test" is defined in Exhibit F.

"Building" means, as appropriate, the Kentucky CSC building, the Nevada CSC building or the (retrofitted) Mississippi CSC building.

"CASI" means Computer Aided Systems, Inc., a California corporation.

"CASI Indemnified Party" is defined in Section 11.2(b).

"Certification Test Milestone" is defined in Exhibit F.

"Change Order" is defined in Section 5.1.

"Claim" is defined in Section 11.2(a).

"Compensation" is defined in Section 9.4(a).

"Completion Criteria" means, as determined through the testing

process contemplated by Section 7 and Exhibit D: (i) the System is fabricated and installed substantially as described in the Basic System Documents; (ii) the System is able to satisfy the Minimum Throughput Requirements; and (iii) the System is free of errors which materially affect functionality as described in the Performance Standards.

"Completion Documents" means the Basic System Documents, all plans, specifications and drawings for the Systems and all other internal documents which are sufficient to enable a contractor reasonably skilled in the areas of materials handling systems to complete the fabrication and installation of the Systems and to permit a programmer reasonable skilled in QNX to complete development of the Licensed Software.

"Completion Risk Event" is defined in Section 15.5.

"Confidential Information" of LS&CO. means only: (a) regional distribution volumes and capacity; (b) the actual price of the Project (but see Section 14.2); (c) the Project Schedule; and (d) the host interface software and related documentation.

"Confidential Information" of CASI means only: (a) the Licensed Software Source Code; (b) the Licensed Software Object Code; (c) the Software Upgrades and Maintenance Releases; (d) the Completion Documents; (e) the "as-built" drawings contemplated by Section 9.12; (f) the CASI financial statements to be delivered under Section 12.4; and (g) the interfaces developed by CASI.

"CSC" means an LS&CO. customer service center.

"Demobilization Costs" is defined in Section 15.4.

"Development Activities" is defined in Section 9.3(a).

"Development Activities Expenses" is defined in Section 9.3(a).

"Equipment" means all of the equipment components of a System. The principal Equipment components are identified in Exhibit C.

"Equipment Fixed Price" is defined in Section 9.2.

"FD" means Fluor Daniel, Inc., a California corporation.

"Final Final Payment" is defined in Section 9.13.

"Final Payment" is defined in Section 9.12.

"Finally Accepted" is defined in Section 7.3.

"Force Majeure Conditions" is defined in Section 16.1.

"Hardware" means the computer hardware, terminals, workstations and

peripherals components of a System. Information about them is contained in Exhibit C.

"Incentive Payment" is defined in Section 9.4(c).

"Intellectual Property Rights" means rights under patent law, copyright law, trademark law, trade secret law, moral rights law, unfair competition law, semiconductor chip protection law or other similar rights.

"Letter Agreements" means the letter agreements between LS&CO. and CASI dated March 19, 1993, May 13, 1993, July 27, 1993, December 1, 1993 and March 1, 1994.

"Licensed Software" means the software described in the Licensed Software Specifications and being licensed by CASI to LS&CO. under the Agreement.

"Licensed Software Base Code" means the Licensed Software Object Code as installed in the Nevada System on the System Final Acceptance Date for that System, together with any Maintenance Releases which LS&CO. receives as a result of warranty or software maintenance services and/or any Software Upgrades which LS&CO. purchases from CASI.

"Licensed Software Development Activities" is defined in Section 9.3(a).

"Licensed Software Development Plan" is attached as Exhibit Y.

"Licensed Software Object Code" means the machine readable, object code version of the Licensed Software.

"Licensed Software Source Code" means, with respect to Licensed Software, a series of instructions or statements in an English-like high level computer language such as FORTRAN, C, PASCAL or LISP, or in a relatively low-level language (such as the assembly language for a particular processor) which is normally readable by people trained in the particular computer language in question. The documentation comprising the Licensed Software Source Code includes a complete copy in machine readable form of the Licensed Software Source Code and the Licensed Software Object Code, a complete copy of any design documentation and user documentation for the Licensed Software, and complete instructions for compiling and linking every part of the Licensed Software Source Code into executable forms, for purposes of enabling verification of the completeness of the Licensed Software Source Code, with those instructions including identification of all compilers, library packages and linkers used to generate object code, in each case excluding information relevant only to the operating system platform.

"Licensed Software Specifications" means the specifications to be delivered as described in Exhibit B.

"Licensed Software Total Amount" is defined in Section 9.3(b).

"LS&CO." means Levi Strauss & Co., a Delaware corporation.

"LS&CO. Indemnified Party" is defined in Section 11.2(a).

"LS&CO. Project Representative" is defined in Section 16.3.

"Major Vendors" is defined in Section 3.4(a).

"Maintenance Release" means any revision in the Licensed Software or documentation that would maintain compatibility, or enhance the operation, of the existing operation or functionality of, the Licensed Software but does not rise to the level of a Software Upgrade.

"Mechanical Installation Complete Milestone" is defined in Exhibit F.

"Milestone Event" are those milestones described in Exhibit F.

"Minimum Throughput Requirements" means the machine (non-human) throughput capacity of a System as described in Exhibit E.

"On-site CASI Personnel" is defined in Section 10.5(a).

"Performance Standards" means "how a System is to work;" they are the standards and requirements for performance of a System as described in the Scope of CSC Project, System Software and Machine Throughput Requirements documents attached as Exhibits A, B and E and in the Licensed Software Specifications to be delivered as described in Exhibit B. A System meets the Performance Standards if it performs, provides the material functionality and generates the machine throughput as described in those documents.

"Principal Shareholders" is defined in Section 13.1.

"Project" means the design and installation of the Kentucky System, the Nevada System and the Mississippi System.

"Project Final Acceptance Date" is defined in Section 7.4.

"Project Schedule" is the schedule for completion of the Project attached as Exhibit AA.

"Reconciliation Statement" is defined in Section 9.7.

"Reimbursable Taxes" is defined in Section 9.14.

"Schedule of Values" means the document containing an allocation of the Compensation on a per System, component-by-component basis, and projects cash flow requirements throughout the Project. It is attached as Exhibit J.

"Software Upgrade" means a release of the Licensed Software which is

relevant to the casual apparel business and which includes substantial new functionality in addition to that provided by the Licensed Software Base Code.

"Subject Taxes" is defined in Section 9.14.

"System" means the Licensed Software, Equipment and Hardware comprising the QUIC System 2020 to be installed at the Kentucky CSC (the "Kentucky System"), the Nevada CSC (the "Nevada System") and the Mississippi CSC (the "Mississippi System").

"System Complete Milestone" is defined in Exhibit F.

"System Final Acceptance" and "System Final Acceptance Date" are defined in Section 7.3.

"Testing Plan" is defined in Section 7.1. It is attached as Exhibit D.

"Vendors" means all vendors, contractors and subcontractors (other than FD or any Affiliate of FD) performing Work-related services for or supplying System components to CASI.

"Warranty Period" is defined in Section 10.4.

"Work" is defined in Section 3.1.

Exhibit 10jj

STOCK PURCHASE AGREEMENT

THIS IS A STOCK PURCHASE AGREEMENT, dated October 28, 1994 (the "Agreement"), between LEVI STRAUSS ASSOCIATES INC., a Delaware corporation ("LSAI") and [NAME], an individual (the "Stockholder").

B A C K G R O U N D

The Stockholder is a senior manager of LSAI or of one of its principal subsidiaries. He owns, by reason of exercises of stock options granted by LSAI to him, shares of LSAI's Class L common stock. That stock is not publicly traded, and its transfer is restricted under an agreement among LSAI and all of the holders of Class L stock. LSAI and the Stockholder believe it desirable that the Stockholder be able to sell, and LSAI be able to repurchase, these shares, on the basis described in this Agreement. Those "put" and "call" arrangements are the subjects of this Agreement.

LSAI AND THE STOCKHOLDER AGREE AS FOLLOWS:

1. Definitions

These terms have these meanings:

" Additional Call Period" means the 30-day period after the release of the next Valuation if the applicable Termination of Employment occurs more than 90 days after the release of the Valuation immediately preceding the Termination of Employment.

"Affiliated Group" means the group of corporations consisting of LSAI and its Subsidiaries.

"Annual Block" means a block of Option Shares equal in number to: the greater of: (a) 25% of the number of total Option Shares on the date of this Agreement or (b) the minimum number of shares of LSAI Stock which must be sold by the Stockholder in order for the sale of Option Shares to be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code, determined as of the Annual Block Measurement Date and taking into account any other shares of LSAI Stock owned by the Stockholder and any shares the ownership of which is attributed to the Stockholder under Section 318 of the Code. If, by reason of sales of Option Shares by the Stockholder (under this Agreement or otherwise), the Stockholder may in the future hold a block of Option Shares smaller in number than 25% of the Option Shares on the date of this Agreement, then "Annual

Block" means that number of "remaining" Option Shares, so long as the repurchase would meet the "exchange, not dividend" standard contemplated by clause (b) of this definition and Section 2.2(b) of this Agreement.

"Annual Block Measurement Date" means the date of completion of a Transaction contemplated by Section 2 of this Agreement.

"Annual Put Period" means the 30-day period after the release of the Year-end Valuation in any year.

"Beneficiary" means the estate of the Stockholder and, if the estate distributes the Option Shares after the Stockholder' s death, the person or entity who holds the Option Shares after distribution by the estate.

"Call Notice" has the meaning given it in Section 4.7 of this Agreement.

"Class L Agreement" means the Class L Stockholders Agreement, dated as of April 30, 1991, among LSAI and all of the holders of LSAI's Class L common stock, including the Stockholder, as it may be amended, and any replacement of or successor to that agreement.

"Code" means the Internal Revenue Code of 1986, as amended and as it may be amended, and any successor statute.

"Disability" has the meaning given to that term under the defined benefit pension plan of LSAI applicable to the Stockholder or, if no such plan is applicable, the Revised Home Office Pension Plan or any successor to that plan (the "HOPP") or, if the HOPP is terminated, under the HOPP as in effect immediately prior to its termination.

"Estimated Pre-tax Earnings" means LSAI's estimated consolidated net income for a fiscal year (excluding the impact of extraordinary items and changes in accounting principles), as determined by LSAI's chief financial officer at a time determined by that officer before the release of the Year-end Valuation for that fiscal year. The determination of Estimated Pre-tax Earnings by that officer shall be final and binding on both LSAI and the Stockholder.

"Fair Market Value" means, as of any date, the value of LSAI's Class E common stock as determined in the most recent valuation ("Valuation") of that stock obtained by LSAI for use in valuing shares of Class E stock for issuance under its employee investment and stock purchase plans. (Class E stock and Class L stock are considered for purposes of this Agreement to have the same value.)

"LSAI Stock" means the Class L common stock of LSAI (including the Option Shares), the Class E common stock of LSAI and any other class of LSAI capital stock outstanding on or after the date of this Agreement and as may be affected by Section 7.2 of this Agreement.

"Option Shares" means all shares of LSAI's Class L common stock acquired by the Stockholder through either the exercise of stock options granted to the Stockholder by LSAI or by purchase from LSAI as a condition to receiving those stock option grants, of which on the date of this Agreement the Stockholder holds both legal and beneficial ownership, and any shares that may be acquired after the date of this Agreement upon exercise of outstanding stock options held by the Stockholder on the date of this Agreement. "Option Shares" do not include any shares of Class L stock acquired in any other manner (for example, in connection with the formation of HHF Corp.), any Class E shares (for example, those acquired through participation in the Employee Stock Purchase and Stock Award Plan) or any shares of Class L stock acquired in any other manner (for example, through a purchase from another holder of Class L stock.)

"Put Notice" has the meaning given it in Section 3.5 of this Agreement.

"Put Window Period" means the 90-day period after release of a Valuation.

"Subsidiary" means a corporation (other than LSAI) in an unbroken chain of corporations beginning with LSAI if each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one or the other corporations in the chain.

"Termination of Employment" means a cessation of employment (whether initiated by the Stockholder or by the employer or by reason of the death or Disability of the Manager) with any member of the Affiliated Group, if the Stockholder is not employed immediately thereafter by another member of the Affiliated Group.

"Transaction" means a purchase of Option Shares under Section 2, 3 or 4 of this Agreement.

"Valuation" is defined in the definition of Fair Market Value.

"Valuation Date" means the release date of any Valuation.

"Year-end Valuation" means the Valuation last released in a fiscal year, or such other Valuation as determined by LSAI in its sole discretion.

2. Stockholder Annual Put Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

2.1 Annual Put. During the Annual Put Period in any year, the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase an Annual Block.

2.2 Limitations

(a) LSAI and persons in addition to the Stockholder are parties to agreements creating the same "annual put rights" described in Section 2.1 in favor of those persons. LSAI will not be obligated to complete a repurchase initiated by the Stockholder under Section 2.1 of this Agreement if the aggregate purchase price for all annual put exercises in that year exceeds ten percent of Estimated Pre-tax Earnings. LSAI in its sole discretion decides whether there is such an excess. If it so decides, it may choose not to repurchase any shares of Class L stock from any person, including the Stockholder, who has exercised under these agreements these annual put rights; that is, there will be no proration, first-in-line or other allocation mechanism designed to permit partial sales.

(b) LSAI is obligated under Section 2.1 of this Agreement to purchase Option Shares only if the Stockholder has sufficient Option Shares in order to "assemble" an Annual Block; that is, LSAI will not be obligated to complete a repurchase initiated by the Stockholder under Section 2.1 if LSAI concludes, in its sole discretion, that the repurchase will be treated as a dividend rather than an exchange described in Section 302(b)(2) or 302(b)(3) of the Code.

2.3 Mechanics

(a) The Stockholder shall exercise a put right created by this Section 2 by delivering to LSAI, during an Annual Put Period:

- a written notice (a "Annual Put Notice") in the form attached to this Agreement as Exhibit 2.3;

- the stock certificate or certificates representing the Option Shares described in the Annual Put Notice, properly endorsed for transfer by the Stockholder; and

- those other documents that LSAI may reasonably request.

(b) LSAI shall review the Annual Put Notice and begin determining the Annual Block. It may seek further information about LSAI Stock owned by or attributed to the Stockholder; the Stockholder shall cooperate with LSAI in developing that information and analysis.

(c) Within ten days after the end of the Annual Put Period, LSAI shall advise the Stockholder in writing either that:

- LSAI will not complete the Transaction because one or more of the conditions described in Section 2.2 is not satisfied or LSAI, on the basis described in Section 6 of this Agreement, decided not to complete it; or

- it will complete the Transaction, stating the number of Option Shares comprising the Annual Block, it being understood that the Annual Block may comprise more than 25% of the Option Shares, and that, in that case, the Stockholder may need to deliver additional stock certificates.

If LSAI notifies the Stockholder that it will complete the Transaction and concludes that the materials submitted are in proper form, then, subject to Section 6 of this Agreement, LSAI shall thereafter issue its check, in the amount of the purchase price, to the Stockholder, accept the Option Shares and cancel or replace the related stock certificates, and the Transaction shall be considered concluded. If it questions the tender materials, it shall contact the Stockholder in writing, and thereafter it and the Stockholder shall cooperate in an effort to resolve the situation. If they cannot resolve it to LSAI's satisfaction within five days after the date of that notice, LSAI in its sole discretion will not be obligated to complete the Transaction.

(d) The Stockholder acknowledges that the Annual Block Measurement Date is the date of completion of the Transaction, and that other transactions involving shares of LSAI Stock (including, without limitation, shares that may be attributed to the Stockholder under Section 318 of the Code) in the period from date of the Annual Put Notice to and including the Annual Block Measurement Date, may affect the final determination of the Annual Block. The Stockholder agrees to advise LSAI of any such transactions promptly. If there is such a transaction and the Annual Block changes in amount, the Stockholder shall be bound to sell that new number of Option Shares.

2.4 Irrevocability. The Stockholder may not withdraw his Annual Put Notice after submission; it is irrevocable.

2.5 Purchase Price. The purchase price for the Transactions described in this Section 2 shall be the Fair Market Value per share of the Option Shares being tendered to LSAI, as stated in the Year-end Valuation whose release began the applicable Annual Put Period.

3. Disability and Death Put Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

3.1 Disability. During any Put Window Period occurring at the time of, or during the five-year period after, Termination of Employment by reason of Disability, the Stockholder (or his conservator or representative, as the case may be) may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or

302(b)(3) of the Code.

3.2 Death

(a) During any Put Window Period occurring at the time of, or during the five-year period after, Termination of Employment by reason of the death of the Stockholder, the Beneficiary may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares held by the Stockholder at the time of death, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

(b) If the Termination of Employment is by any other reason, and the Stockholder should die while still holding Option Shares (that is, LSAI has not exercised its call rights under Section 4 of this Agreement and the Stockholder has not previously sold all of the Option Shares under Section 2 of this Agreement or otherwise disposed of the Option Shares), the Beneficiary may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held, during any Put Window Period occurring at the time of, or during the five-year period after, the death of the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

3.3 Purchase Price. The purchase price in all of the Transactions described in this Section 3 shall be the Fair Market Value of the Option Shares being tendered to LSAI, as stated in the Valuation whose release began the Put Window Period during which the put was exercised. Examples of the application of the put rules appear in the document attached to this Agreement as Exhibit 3.3.

3.4 No Partial Puts. The Stockholder or Beneficiary, in exercising a put right under this Section 3, must sell all of the Option Shares then owned both legally and beneficially by the Stockholder or Beneficiary. He or she cannot sell or seek to sell only a portion of those Option Shares.

3.5 Mechanics

(a) The Stockholder or Beneficiary shall exercise a put right created by this Section 3 by delivering to LSAI, during a Put Window Period:

- a written notice (a "Put Notice") in the form attached to this Agreement as Exhibit 3.5;
- the stock certificate or certificates representing the Option Shares described in the Put Notice, properly endorsed for transfer by the Stockholder; and
- those other documents that LSAI may reasonably request.

(b) LSAI shall promptly review the Put Notice and accompanying documents. If it concludes that the tender complies with this Agreement, then, subject to Section 6 of this Agreement, LSAI shall thereafter issue its check, in the amount of the purchase price, to the Stockholder or the Beneficiary, accept the Option Shares and cancel the related stock certificates, and the Transaction shall be considered concluded. If it questions the tender, it shall contact the Stockholder or Beneficiary in writing, and thereafter it and the Stockholder or Beneficiary shall cooperate in an effort to resolve the situation. If they cannot resolve it to LSAI's satisfaction within five days after the date of that notice, LSAI in its sole discretion is not obligated to complete the Transaction.

3.6 Irrevocability. The Stockholder may not withdraw his Put Notice after submission; it is irrevocable.

3.7 Interrelationship of Sections 2 and 3. A Stockholder or Beneficiary entitled to exercise put rights under this Section 3 may exercise annual put rights under Section 2 of this Agreement and later exercise a Section 3 disability- or death-related put with respect to his or her remaining Option Shares.

4. LSAI Call Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

4.1 Termination of Employment. For 90 days after Termination of Employment for any reason (including, without limitation, death or Disability), and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either Section 302(b)(2) or 302(b)(3) of the Code.

4.2 Additional Disability-Related Call. For 90 days after the expiration of the five-year period described in Section 3.1 of this Agreement, and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to purchase all of the Option Shares then held by the Stockholder or Beneficiary, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either Section 302(b)(2) or 302(b)(3) of the Code.

4.3 Additional Death-Related Call. For 90 days after the expiration of either of the five-year periods described in Sections 3.2(a) and (b) of this Agreement, and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to purchase all of the Option Shares then held by the Beneficiary, provided that any such purchase will, as determined by LSAI in its sole discretion, be

treated as an exchange rather than as a dividend under either Section 302(b)(2) or 302(b)(3) of the Code.

4.4 Unilateral Right. LSAI may exercise its repurchase rights under this Section 4 whether or not the Stockholder or Beneficiary wishes to sell; the Stockholder or Beneficiary will be obligated to sell upon delivery of a Call Notice. LSAI may make its decision in its sole discretion, without regard to the tax or other financial consequences to the Stockholder or Beneficiary, and without regard to decisions it makes with respect to other persons who are parties to like agreements.

4.5 Purchase Price. The purchase price in all of the Transactions described in this Section 4 shall be the Fair Market Value of the Option Shares being repurchased by LSAI, as stated in the Valuation most recently released before the date LSAI gives the Call Notice. For example, if LSAI gives the Call Notice during an Additional Call Period, the purchase price shall be the Fair Market Value stated in the Valuation that began that Additional Call Period. Examples of the application of the put and call rules appear in the document attached to this Agreement as Exhibit 3.3.

4.6 No Partial Calls. LSAI, in exercising a call right under this Section 4, must purchase all of the Option Shares then held by the Stockholder or Beneficiary. It cannot purchase or seek to purchase only a portion of those Option Shares.

4.7 Mechanics

(a) LSAI may exercise a call right created by this Section 4 by delivering, during any of the periods described in this Section 4, to the Stockholder or Beneficiary, a written notice (the "Call Notice") in the form attached to this Agreement as Exhibit 4.7. Within 15 business days after receiving that Call Notice, the Stockholder or Beneficiary shall deliver to LSAI the stock certificate or certificates representing the Option Shares, properly endorsed for transfer, a copy of the Call Notice signed by the Stockholder or Beneficiary in the space provided for that signature and any other documents that LSAI may reasonably request.

(b) Upon receipt and approval of those materials, LSAI shall thereafter issue and deliver to the Stockholder or Beneficiary its check in payment of the purchase price for the Option Shares, and the transaction shall be considered concluded.

(c) LSAI shall be free to complete the transaction even if the Stockholder fails to deliver the stock certificates; in that case, the Stockholder shall supply LSAI at its request with the "lost certificate" assurances contemplated by Bylaw 45 of LSAI's bylaws.

4.8 Waiver. LSAI may waive any of the limitations on the exercise of its call rights under this section, other than those relating to the time the call rights may be exercised and the purchase price of the Option Shares.

5. Impact on Stockholder

5.1 Class L Agreement. The Stockholder holds the Option Shares subject to the Class L Agreement. Except as contemplated by Section 5.3 of this Agreement, this Agreement does not in any way limit or otherwise affect the rights and obligations created by the Class L Agreement, including, without limitation, the restrictions on transfer of the Option Shares imposed by Section 2 of that agreement, and the Stockholder remains free to transfer the Option Shares as permitted by the Class L Agreement. Except as may be stated in that successor or replacement document, this Agreement shall not be affected by a successor to or replacement of the Class L Agreement.

5.2 Puts Personal

(a) Except as described in Section 5.2(b), the put rights created by this Agreement are "personal" to the Stockholder. That is, they do not "run with the Option Shares." If the Stockholder transfers the Option Shares to another person, that person will not be entitled to exercise the put rights and to sell the Option Shares under Sections 2 and 3 of this Agreement.

(b) The Stockholder is presently or may become married. Should that marriage dissolve and the Stockholder's spouse acquire Option Shares as a result of a property settlement or other disposition, these rules shall apply:

- with respect to the annual put rights created by Section 2 of this Agreement, the Stockholder and the ex-spouse shall hold the rights as a "unit;" that is, the Option Shares, even though held by different holders, shall be treated as a single block, and the "unit" shall be in the same position as the Stockholder was prior to the disposition. As a result, the Stockholder and the ex-spouse must, between themselves, determine which Option Shares, if any, will be sold in a given year. For example, assume that the Stockholder owns 100 Option Shares prior to the dissolution, and his Annual Block is 25 Option Shares. In the dissolution, the Stockholder transfers 50 Option Shares to his ex-spouse. It is up to the Stockholder and the ex-spouse to agree to the "composition" of those 25 Option Shares (all his, all hers or a combination) if either wishes to exercise annual put rights in a particular year. In all events, however, LSAI shall have no obligation to purchase the Option Shares unless the sale, in LSAI's sole discretion, would be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code,

with respect to the seller or, if both the Stockholder and the ex-spouse are selling, both sellers. In all cases, LSAI will accept only Annual Put Notices signed by both the Stockholder and the ex-spouse, even if only one of them is selling during a particular Annual Put Period.

- with respect to the put rights created by Section 3 of this Agreement, the ex-spouse will have those rights but they will be tied to the employment status of the Manager. For example, the ex-spouse may put her Option Shares to LSAI after the Stockholder's Termination of Employment by reason of Disability. The ex-spouse may exercise those rights even if the Stockholder does not exercise his or her corresponding rights at the same time.

- with respect to the call rights created by Section 4 of this Agreement, the ex-spouse, like all transferees of the Stockholder, will be bound by Section 5.3 of this Agreement.

The ex-spouse shall, in selling shares under this Agreement, be subject to all of the limitations and document delivery conditions applicable to the Stockholder.

5.3 Calls Attach. By entering into this Agreement, the Stockholder agrees that the call rights created by this Agreement shall bind a transferee of the Option Shares; that is, they will run with the Option Shares. Should the Stockholder transfer the Option Shares to another person (whether before or after a Termination of Employment), LSAI will be entitled to exercise the call rights and buy the Option Shares from that transferee (or his or her later transferees) under Section 4 of this Agreement. For example, if the Stockholder transfers the Option Shares to his children before Termination of Employment, LSAI would be entitled to purchase the Option Shares from those children (or their transferees) at the time of Termination of Employment or later (for example, upon the death of the Stockholder), as provided in Section 4. The Stockholder understands that the certificates representing the Option Shares will bear a conspicuous legend describing this right. The Stockholder further understands that he may not transfer the Option Shares without first providing to LSAI a document, in the form attached as Exhibit 5.3 to this Agreement, signed by the transferee and confirming the continuing effectiveness of LSAI's call rights after the transfer and the transferee's obligations to provide the documents described in Section 4.7 of this Agreement.

5.4 Voting and Dividends. This Agreement does not affect in any way the Stockholder's right to exercise any voting or other rights attributable to ownership of the Option Shares, or to receive dividends or the like in respect of the Option Shares. (Section 7.3 of this Agreement explains that this Agreement does not restrict or affect in any way the Stockholder's

ability to participate in general repurchase transactions.)

5.5 No Right to Employment. No provision of this Agreement confers upon the Stockholder any right to continue in the employ of LSAI or any Subsidiary, or affects LSAI's or a Subsidiary's right to terminate the employment of the Stockholder at any time, with or without cause.

5.6 No Impact on Benefits. No payments by LSAI under this Agreement shall be taken into account in determining any benefits of the Stockholder under any compensation, pension, retirement, savings, profit sharing, group insurance, welfare or other employee benefit plan of LSAI or any Subsidiary. The Stockholder's entry into this Agreement shall not affect in any way his rights or benefits under any of those plans.

5.7 No Rights To Other Sales. No provision of this Agreement entitles the Stockholder to sell Option Shares back to LSAI if Termination of Employment occurs for any reason other than Death or Disability; the Stockholder's only entitlement shall be the annual put rights created under Section 2 of this Agreement. This Agreement does not speak to or affect in any way other termination situations. In addition, this Agreement does not entitle the Stockholder (or any other person) to sell shares of LSAI Stock other than the Option Shares. The references in the definition of "Annual Block" to other LSAI Stock owned and to shares of LSAI Stock to whom ownership is attributed are solely for definitional and tax purposes, and are not intended to and do not create any right in favor of any person to sell those shares to LSAI. However, the ownership of LSAI Stock by others may affect the ability of the Stockholder to sell Option Shares under this Agreement.

5.8 No Right to Special Disclosure. LSAI has no duty or obligation to disclose individually to the Stockholder or a Beneficiary, the Stockholder and any Beneficiary shall have no right to be individually advised by LSAI of, and the Stockholder and any Beneficiary have no duty or obligation to disclose to LSAI, any material information relating to LSAI, at any time prior to, at the time of, or in connection with, LSAI's repurchase of Option Shares under Sections 2, 3 or 4 of this Agreement.

5.9 Tax-related Documentation. If necessary for purposes of qualifying a transaction under Section 3 of this Agreement as an exchange under Section 302(b)(3) of the Code, LSAI is specifically authorized (without in any way limiting its rights to request any other documentation) to require evidence satisfactory to LSAI that the agreement required by Section 302(c)(2) of the Code has been executed and filed by the Stockholder with the appropriate official of the Internal Revenue Service and that such agreement has been complied with as of the date of sale.

6. Limitations on Repurchases

6.1 Limitations. LSAI is not obligated to complete a Transaction initiated under Sections 2, 3 or 4 of this Agreement if:

(a) the Transaction would, as determined by LSAI in its sole discretion: (i) result in the violation of any applicable law, including, without limitation, those laws limiting LSAI's ability to repurchase its capital stock, fraudulent conveyance laws and securities laws (including Rule 10b-6 and Rule 10b-13 under the Securities Exchange Act of 1934, as amended) or (ii) violate or conflict with the provisions of the certificate of incorporation of LSAI or of any agreement or instrument to which LSAI or any member of the Affiliated Group is a party or by which it is bound, whether now or in the future, it being understood that LSAI is free to create or bind itself to any provision that limits or restricts its ability to purchase Option Shares under this agreement;

(b) there shall have been threatened, instituted, or pending any action or proceeding by any governmental, regulatory, or administrative agency or authority or tribunal, domestic or foreign, or by any other person, domestic or foreign, before any court or governmental, regulatory, or administrative authority or agency or tribunal, domestic or foreign, which challenges or seeks to make illegal, or to delay or otherwise directly or indirectly to restrain, prohibit, or otherwise affect the Transaction, the acquisition of Option Shares in a Transaction, or otherwise relates in any manner to the Transaction or this Agreement; or in LSAI's sole discretion, and irrespective of whether it is directed at or affects the Transaction as such, could materially affect LSAI's business, financial condition, income, operations, or prospects or otherwise materially impair in any way the contemplated future conduct of LSAI's business;

(c) there shall have been any action threatened, pending, or taken, or any approval withheld, or any statute, rule, regulation, judgment, order, or injunction threatened, invoked, proposed, sought, promulgated, enacted, entered, amended, enforced, or considered to apply to the Transaction, this Agreement or to LSAI, by any court or any government or governmental, regulatory, or administrative agency or authority or tribunal, domestic or foreign, which, in LSAI's sole discretion, would or might directly or indirectly result in any of the consequences referred to in this Section 6.1;

(d) there shall have occurred or be continuing since the applicable Valuation Date: (i) the declaration of any banking moratorium or suspension of payments in respect of banks in the United States (whether or not mandatory); (ii) any general suspension of trading in, or limitation on prices for, securities on any United States national securities exchange or in the over-the-counter market; (iii) the commencement of a war, armed hostilities, or any other national or international crisis directly or indirectly involving the United States; (iv) any limitation (whether or not mandatory) by any governmental, regulatory, or administrative agency or authority on, or any event which, in LSAI's sole discretion, might affect, the extension of credit by banks or other lending institutions in the United States; (v) any change in the general political, market, economic, or financial conditions in the United States or abroad that could have a material adverse effect on the business, condition (financial or otherwise),

income, operations, or prospects of LSAI; or (vi) a decline in either the Dow Jones Industrial Average or the Standard and Poor's Index of 500 Industrial Companies by an amount in excess of 10% measured from the Valuation Date of the Valuation to be used in determining the purchase price in the Transaction to the date of issuance of the Annual Put Notice, Put Notice or Call Notice, as the case may be;

(e) any change shall have occurred or been threatened in the business, condition (financial or otherwise), income, operations, stock ownership, or prospects of LSAI, which is or may be material to LSAI, as determined by LSAI in its sole discretion;

(f) a tender or exchange offer for any or all of the shares of Class L stock, or any merger, business combination, or other similar transaction with or involving LSAI, shall have been proposed, announced, or made by any person;

(g) the Stockholder fails to deliver the documents contemplated by Sections 2.3(e), 3.5(a), 4.7 or 5.9, as the case may be, of this Agreement, or fails to cooperate with LSAI as contemplated by Section 2.3(c) of this Agreement; or

(h) LSAI concludes, in its sole discretion, that the Transaction will be treated as a dividend, rather than as an exchange, under Section 302(b)(2) or 302(b)(3) of the Code.

6.2 LSAI's Decision. LSAI in its sole discretion decides whether any of the events or circumstances described in Section 6.1 have occurred or are occurring. If it so concludes, then, in its sole discretion, it may reject a pending or later-issued Annual Put Notice or Put Notice or revoke a pending Call Notice, as the case may be. These rules are for LSAI's sole benefit. It may assert them regardless of the circumstances giving rise to the event (including its own action or inaction), or it may ignore them and proceed with the Transaction. In addition, LSAI may assert or ignore them with respect to a Transaction, regardless of whether it makes the same decision with respect to transactions (contemporaneous or not) involving other persons who are parties to like agreements.

6.3 Consequences. LSAI exercise of its rights under this Section 6 shall have these consequences:

- If LSAI has rejected a Put Notice and the Stockholder or Beneficiary otherwise would have no further opportunities to exercise that put right (for example, if the Stockholder attempted to exercise the put immediately before the end of the five-year period following Termination of Employment by reason of Disability), then the Stockholder or Beneficiary (again subject to this Section 6, including this Section 6.3) shall be entitled to exercise the put during the next Put Window Period. If the Stockholder does not exercise the put at that time, then it shall expire, and the

Stockholder's or Beneficiary's only entitlement shall be the annual put rights created under Section 2 of this Agreement.

- If LSAI has rejected an Annual Put Notice or Put Notice and the Stockholder or Beneficiary would otherwise have later opportunities to exercise that put, then the rejection shall have no special impact.

- If LSAI has revoked a Call Notice and LSAI otherwise would no have further opportunities to exercise that call right, then LSAI (again subject to this Section 6, including this Section 6.3) shall be entitled to exercise the call during the 30-day period following the next Valuation Date.

- If LSAI has revoked a Call Notice and LSAI would otherwise have later opportunities to exercise the call, then the revocation shall have no special impact.

7. Capital Structure Transactions

7.1 No Limit on LSAI. No provision of this Agreement limits the right or ability of LSAI or any Subsidiary at any time to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, windup or otherwise reorganize, or to repurchase or offer to repurchase, by tender offer, application of an estate tax repurchase policy or otherwise, shares of LSAI Stock held by the Stockholder or by other persons. That is so regardless of the impact of such a transaction on: (i) "capital" or "surplus" under the Delaware General Corporation Law; (ii) funds available for repurchases; (iii) the determination of the Annual Block; or (iv) any other relevant matter. The Stockholder understands that, as provided by the federal securities laws and as contemplated by Section 6.1 of this Agreement, LSAI cannot purchase, and is not obligated to purchase, Option Shares under this Agreement, during the period beginning at the time a tender offer or exchange offer by LSAI for LSAI Stock is publicly announced or otherwise made known to the holders of LSAI Stock and ending at the time shares tendered in response to that offer may be accepted or rejected by LSAI. As a result, put rights are effectively not exercisable during such a period, even if an Annual Put Period or Put Window Period occurs during that period. Section 6.3 explains the consequences of such a development.

7.2 Adjustment. If the Option Shares are changed by reason of a stock split, stock dividend or recapitalization, or if they are converted into or exchanged for other securities as a result of a merger, consolidation or like transaction, this Agreement shall remain applicable to the Option Shares or the new securities, as the case may be, and in the manner determined by LSAI in its sole discretion.

7.3 No Effect on Right to Participate. No provision of this

Agreement limits or otherwise affects the right of the Stockholder to participate, as a holder of Class L stock, in any tender offer, recapitalization, exchange offer or other capital stock transaction initiated by LSAI or by a third party.

7.4 Impact of Public Trading. This Agreement shall terminate if and at the time the Class L stock, or any security (issued by LSAI or a third party) into which the Class L may be converted, is or becomes listed for trading on a national stock exchange or national market system, including, without limitation, the NASDAQ National Market System.

8. No Advice

By signing below, the Stockholder is confirming that LSAI has made no warranties or representations to the Stockholder about the tax, financial or legal consequences of any of the transactions contemplated by this Agreement, and that the Stockholder is not in any manner relying on LSAI for advice about, or an assessment of, those consequences.

9. Unfunded Status

LSAI's obligations under this Agreement are not "funded." LSAI has no obligation to set aside or segregate any funds or other assets in order to meet those obligations. Neither LSAI nor any of its directors, officers or agents shall be considered a trustee of any monies that may be payable under this Agreement. LSAI's obligations are solely contractual in nature, and are not secured by, and should not be considered secured by, any lien or encumbrance on any property of LSAI or of any other member of the Affiliated Group.

10. Entire Agreement; Amendment

This Agreement and its exhibits contain all of the terms and conditions agreed upon by LSAI and the Stockholder relating to its subject matter, represent the final, complete and exclusive statement of LSAI and the Stockholder, and supersede any and all prior or contemporaneous agreements, negotiations, correspondence, understandings and communications between LSAI and the Stockholder, whether oral or written. This Agreement may be amended only as stated in and by a writing signed by LSAI and the Stockholder which refers specifically to this Agreement and states that it is amending this Agreement.

11. Binding Effect; Assignment

This Agreement shall be binding upon the successors and permitted assigns of LSAI and the Stockholder. (Section 5.3 explains the impact of this Agreement on transferees of the Option Shares.) LSAI may, without

obtaining the consent of the Stockholder, freely assign its rights and delegate its duties (either directly or by operation of law) under this Agreement to: (i) any affiliate of LSAI (including, without limitation, Levi Strauss & Co. ("LS&CO.") or any subsidiary of LS&CO. or LSAI, whether in existence now or formed in the future); (ii) any successor to LSAI by merger or consolidation; or (iii) any purchaser of all or substantially all of the assets of LSAI or LS&CO. The Stockholder may not assign his rights or delegate his duties without the express, prior written consent of LSAI.

12. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the state of California.

13. Further Assurances

LSAI and the Stockholder shall sign those other documents and take those other actions as the other may reasonably request in order to effect the transactions contemplated by this Agreement.

14. Notices

Any notice under this Agreement (including, without limitation, Annual Put Notices, Put Notices, Call Notices and notices of Valuations) shall be given by mail or by courier delivery or facsimile transmission addressed to:

If to LSAI:

Levi Strauss Associates Inc.
Levi's Plaza
1155 Battery Street/LS-7
San Francisco, CA 94111
Attn.: Corporate Secretary
Facsimile: 415/544-7650

If to the Stockholder:

[name]
Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, CA 94111

Those addresses may be changed by delivery of a notice to that effect to the other party. Notices given in the manner contemplated by this Section 14 shall be considered "given" two business days after deposit in the mail or the first business day after the date of delivery to a courier or facsimile

transmission, as the case may be.

15. Release

This Agreement contains several references to "release(s)" of valuations. "Release" here means the date LSAI sends notice to the Stockholder of a Valuation; LSAI shall send to the Stockholder such a notice within three days after receipt by LSAI of a Valuation from the banking firm making that Valuation.

16. Multiple Beneficiaries

If there is more than one Beneficiary, each such Beneficiary shall have the rights and obligations of a "Beneficiary" under this Agreement with respect to his or her Option Shares, and shall be treated for all purposes as an independent contracting party.

17. Days

References to "days" in this Agreement (for example, in the definition of "Additional Call Period" and in Section 2.3) means calendar, not business, days.

18. Counterparts

This Agreement may be signed in any number of counterparts.

* * * *

IN WITNESS WHEREOF, LSAI and the Stockholder signed and delivered this Agreement on, and it became effective on, the date appearing in the first paragraph of this Agreement.

LEVI STRAUSS ASSOCIATES INC.

By: _____

Name: George B. James
Title: Senior Vice President and
Chief Financial Officer

STOCKHOLDER

[NAME]

Exhibit 10kk

MANAGER FAMILY MEMBER STOCK PURCHASE AGREEMENT

THIS IS A MANAGER FAMILY MEMBER STOCK PURCHASE AGREEMENT, dated October 28, 1994 (the "Agreement"), between LEVI STRAUSS ASSOCIATES INC., a Delaware corporation ("LSAI") and THE THOMAS AND PAULINE TUSHER 1976 FAMILY TRUST, AS AMENDED, THOMAS W. TUSHER, TRUSTEE (THE "STOCKHOLDER").

B A C K G R O U N D

The Stockholder is the trustee under a trust established by a senior manager of LSAI or of one of its principal subsidiaries. The trustee acquired shares of LSAI's Class L common stock from that manager; the manager had obtained the shares by exercising stock options granted to him by LSAI. That stock is not publicly traded, and its transfer is restricted under an agreement among LSAI and all of the holders of Class L stock. LSAI and the Stockholder believe it desirable that the Stockholder be able to sell, and LSAI be able to repurchase, these shares, on the basis described in this Agreement. Those "put" and "call" arrangements are the subjects of this Agreement.

LSAI AND THE STOCKHOLDER AGREE AS FOLLOWS:

1. Definitions

These terms have these meanings:

"Additional Call Period" means the 30-day period after the release of the next Valuation if the applicable Termination of Employment occurs more than 90 days after the release of the Valuation immediately preceding the Termination of Employment.

"Affiliated Group" means the group of corporations consisting of LSAI and its Subsidiaries.

"Annual Block" means a block of Option Shares equal in number to: the greater of: (a) 25% of the number of total Option Shares held on the date of this Agreement by the Family Group or (b) the minimum number of shares of LSAI Stock which must be sold by the Family Group in order for the sale of Option Shares to be treated, as to each member of the Family Group

who is a seller of Option Shares, as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code, determined as of the Annual Block Measurement Date and taking into account any other shares of LSAI Stock owned by the Family Group and any shares the ownership of which is attributed to the Family Group under Section 318 of the Code. If, by reason of sales of Option Shares by the Family Group (under this Agreement or otherwise), the Family Group may in the future hold a block of Option Shares smaller in number than 25% of the Option Shares on the date of this Agreement, then "Annual Block" means that number of "remaining" Option Shares, so long as the repurchase would meet the "exchange, not dividend" standard contemplated by clause (b) of this definition and Section 2.4 of this Agreement as to each member of the Family Group who is a seller at that time of Option Shares.

"Annual Block Measurement Date" means the date of completion of a Transaction contemplated by Section 2 of this Agreement.

"Annual Put Period" means the 30-day period after the release of the Year-end Valuation in any year.

"Call Notice" has the meaning given it in Section 4.7 of this Agreement.

"Class L Agreement" means the Class L Stockholders Agreement, dated as of April 30, 1991, among LSAI and all of the holders of LSAI's Class L common stock, including the Stockholder, as it may be amended, and any replacement of or successor to that agreement.

"Code" means the Internal Revenue Code of 1986, as amended and as it may be amended, and any successor statute.

"Disability" has the meaning given to that term under the defined benefit pension plan of LSAI applicable to the Manager or, if no such plan is applicable, the Revised Home Office Pension Plan or any successor to that plan (the "HOPP") or, if the HOPP is terminated, under the HOPP as in effect immediately prior to its termination.

"Estimated Pre-tax Earnings" means LSAI's estimated consolidated net income for a fiscal year (excluding the impact of extraordinary items and changes in accounting principles), as determined by LSAI's chief financial officer at a time determined by that officer before the release of the Year-end Valuation for that fiscal year. The determination of Estimated Pre-tax Earnings by that officer shall be final and binding on both LSAI and the Stockholder.

"Fair Market Value" means, as of any date, the value of LSAI's Class E common stock as determined in the most recent valuation ("Valuation") of that stock obtained by LSAI for use in valuing shares of Class E stock for issuance under its employee investment and stock purchase plans. (Class E stock and Class L stock are considered for purposes of this Agreement to have the same value.)

"Family Group" means the Thomas and Pauline Tusher 1976 Family Trust, as amended, Thomas W. Tusher, Trustee; the Gregory Malcom Tusher 1988 Irrevocable Trust under Agreement dated 03/04/88, D.G. Menchetti, Trustee; and William H. Plageman, Jr., Trustee, Tusher Family 1988 Irrevocable Trust f/b/o Michael Scott Tusher under agreement dated March 4, 1988 and any person who later becomes a Stockholder under this Agreement or under the comparable stock purchase agreements between LSAI and the other members of the Family Group. References to the Family Group should be understood as meaning, as the context may require, "members of the Family Group" or "any member of the Family Group."

"Family Group Representative" means William A. Quinby or his or her successor, as contemplated by Section 2.2 of this Agreement.

"LSAI Stock" means the Class L common stock of LSAI (including the Option Shares), the Class E common stock of LSAI and any other class of LSAI capital stock outstanding on or after the date of this Agreement and as may be affected by Section 7.2 of this Agreement.

"Manager" means Thomas W. Tusher.

"Option Shares" means all shares of LSAI's Class L common stock acquired by the Stockholder from the Manager, which shares were initially acquired by the Manager through either the exercise by the Manager of stock options granted to the Stockholder by LSAI or by purchase from LSAI as a condition to receiving those stock option grants, of which on the date of this Agreement the Stockholder has ownership, and any shares that may be acquired by the Stockholder after the date of this Agreement following exercise of outstanding stock options held by the Manager on the date of this Agreement and transfer of those newly-acquired shares to the Stockholder. "Option Shares" do not include any shares of Class L stock acquired in any other manner (for example, in connection with the formation of HHF Corp.), any Class E shares (for example, those acquired through participation by the Manager in the Employee Stock Purchase and Stock Award Plan) or any shares of Class L stock acquired in any other manner (for example, through a purchase from another holder of Class L stock.)

"Put Notice" has the meaning given it in Section 3.5 of this Agreement.

"Put Window Period" means the 90-day period after release of a Valuation.

"Stockholder" means Thomas W. Tusher, trustee, or any successor trustee, of the Thomas and Pauline Tusher 1976 Family Trust, as amended, and to the extent that there are distributions of Option Shares from that trust to any or all of the beneficiaries mentioned in that trust agreement, those distributees and their successors in interest by inheritance, gift, devise or bequest, including any distributee pursuant to the exercise of any limited power of appointment conferred therein, and to the extent he or she holds

Option Shares, Thomas W. Tusher and Pauline Tusher. Notwithstanding the foregoing, for purposes of Sections 2 and 3 of this Agreement, the definition of Stockholder does not include any transferee for value (except any such transferee that is a beneficiary under the trust), and does not include any transferee without consideration who is not either a beneficiary or potential beneficiary under the trust, or a beneficiary pursuant to the exercise of any limited power of appointment conferred in the trust. That all said, for purposes of Section 4 of this Agreement, the definition of Stockholder shall include, in addition to the trustee and any successor trustee, all beneficiaries or distributees under the trust, whether by distribution or exercise of a limited power of appointment, and their successors in interest or transferees, whether for or without value, and any "Permitted Transferee" under the Class L Agreement. The term "Stockholder" shall be interpreted in the singular or the plural as the context indicates or may require.

"Subsidiary" means a corporation (other than LSAI) in an unbroken chain of corporations beginning with LSAI if each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one or the other corporations in the chain.

"Termination of Employment" means a cessation of employment (whether initiated by the Manager or by the employer or by reason of the death or Disability of the Manager) of the Manager by any member of the Affiliated Group, if the Manager is not employed immediately thereafter by another member of the Affiliated Group.

"Transaction" means a purchase of Option Shares under Section 2, 3 or 4 of this Agreement.

"Valuation" is defined in the definition of Fair Market Value.

"Valuation Date" means the release date of any Valuation.

"Year-end Valuation" means the Valuation last released in a fiscal year, or such other Valuation as determined by LSAI in its sole discretion.

2. Stockholder Annual Put Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

2.1 Generally

(a) Each member of the Family Group owns Option Shares. With respect to the repurchase rights created by this Section 2 of this Agreement, these Option Shares, even though held by different holders, shall be treated as a single block, and the Family Group shall be treated as a single "unit" or actor. As a result, the members of the Family Group must, among themselves, determine which Option Shares they hold, if any, will comprise the Annual Block shares and will be tendered for sale in a given year. It is

up to them to determine the "composition" of those Option Shares if more than one member of the Family Group wishes to exercise annual put rights in a particular year.

(b) The "Family Group" concept is relevant only for purposes of the annual put rights created by this Section 2. It is has no impact on the put rights created by Section 3 or the call rights created by Section 4 of this Agreement. For example, LSAI need not exercise its Section 4 rights with respect to all members of a Family Group; it may in its sole discretion choose to purchase Option Shares from no members, only one member, only some members or all members.

2.2 Family Group Representative

(a) LSAI provide notices and other communications under this Agreement to the Family Group by delivering them to each member of the Family Group and to the Family Group Representative. LSAI shall be entitled to rely entirely, without investigation or inquiry, upon directions, notices and information (including, without limitation, Annual Put Notices specifying which member's Option Shares are to be sold in a given year) provided to it by the Family Group Representative. That is so even if LSAI receives contrary directions, notices or information from other members of the Family Group; all directions, notices and information provided to LSAI by the Family Group Representative shall be binding upon each member of the Family Group.

(b) The Family Group may replace the Family Group Representative at any time by delivering to LSAI a written notice to that effect, signed by each member of the Family Group, including the to-be-replaced Family Group Representative. If the Family Group Representative dies, resigns or otherwise is unable to serve, the Family Group shall appoint a successor as promptly as practicable by delivering to LSAI a notice to that effect, signed by each member of the Family Group. LSAI shall have no obligation to deliver or accept any directions, notices or other information to or from any member of the Family Group until a successor is so appointed.

2.3 Annual Put. During the Annual Put Period in any year, the Family Group may require LSAI to, and LSAI will be obligated to, repurchase an Annual Block.

2.4 Limitations

(a) LSAI and persons in addition to the members of the Family Group are parties to agreements creating the same or similar "annual put rights" described in Section 2.3 in favor of those persons. LSAI will not be obligated to complete a repurchase initiated by the Family Group under Section 2.3 of this Agreement if the aggregate purchase price for all annual put exercises in that year exceeds ten percent of Estimated Pre-tax Earnings. LSAI in its sole discretion decides whether there is such an excess. If it so decides, it may choose not to repurchase any shares of Class L stock from any person, including the Family Group, who has exercised under these agreements these annual put rights; that is, there will be no proration,

first-in-line or other allocation mechanism designed to permit partial sales.

(b) LSAI is obligated under Section 2.3 of this Agreement to purchase Option Shares only if the Family Group has sufficient Option Shares in order to "assemble" an Annual Block.

(c) LSAI is not obligated to complete a repurchase initiated by the Family Group under Section 2.3 if LSAI concludes, in its sole discretion, that the repurchase will be treated as a dividend rather than an exchange described in Section 302(b)(2) or 302(b)(3) of the Code with respect to any member of the Family Group.

2.5 Mechanics

(a) The Family Group shall exercise a put right created by this Section 2 by the Family Group Representative delivering to LSAI, during an Annual Put Period:

- a written notice (a "Annual Put Notice") in the form attached to this Agreement as Exhibit 2.5;

- the stock certificate or certificates representing the Option Shares described in the Annual Put Notice, properly endorsed for transfer by the appropriate members of the Family Group; and

- those other documents that LSAI may reasonably request.

(b) LSAI shall review the Annual Put Notice and begin determining the Annual Block. It may seek further information about LSAI Stock owned by or attributed to the Family Group; the Family Group shall cooperate with LSAI in developing that information and analysis.

(c) Within ten days after the end of the Annual Put Period, LSAI shall advise the Family Group Representative in writing either that:

- LSAI will not complete the Transaction because one or more of the conditions described in Section 2.4 is not satisfied or LSAI, on the basis described in Section 6 of this Agreement, decided not to complete it; or

- it will complete the Transaction, stating the number of Option Shares comprising the Annual Block, it being understood that the Annual Block may comprise more than 25% of the Option Shares, and that, in that case, the Family Group (i) must decide upon the composition of those additional Option Shares (that is, which member or member will sell them) and (ii) may need to deliver additional

stock certificates.

If LSAI notifies the Family Group Representative that it will complete the Transaction and concludes that the materials submitted are in proper form, then, subject to Section 6 of this Agreement, LSAI shall thereafter issue its check or checks, in the amount of the purchase price or prices and to the order of the appropriate members of the Family Group, deliver that check or those checks to the Family Group Representative for delivery to the Family Group, accept the Option Shares and cancel or replace the related stock certificates, and the Transaction shall be considered concluded. If it questions the tender materials, it shall contact the Family Group Representative in writing, and thereafter it and the Family Group shall cooperate in an effort to resolve the situation. If they cannot resolve it to LSAI's satisfaction within five days after the date of that notice, LSAI in its sole discretion will not be obligated to complete the Transaction.

(d) The Family Group acknowledges that the Annual Block Measurement Date is the date of completion of the Transaction, and that other transactions involving shares of LSAI Stock (including, without limitation, shares that may be attributed to any member of the Family Group under Section 318 of the Code) in the period from date of the Annual Put Notice to and including the Annual Block Measurement Date, may affect the final determination of the Annual Block. The Family Group agrees to advise LSAI of any such transactions promptly. If there is such a transaction and the Annual Block changes in amount, the Family Group shall be bound to sell that new number of Option Shares.

2.6 Irrevocability. The Family Group may not withdraw its Annual Put Notice after submission; it is irrevocable.

2.7 Purchase Price. The purchase price for the Transactions described in this Section 2 shall be the Fair Market Value per share of the Option Shares being tendered to LSAI, as stated in the Year-end Valuation whose release began the applicable Annual Put Period.

3. Disability and Death Put Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

3.1 Disability. During any Put Window Period occurring at the time of, or during the five-year period after, Termination of Employment by reason of Disability of the Manager, the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

3.2 Death

(a) During any Put Window Period occurring at the time of, or

during the five-year period after, Termination of Employment by reason of the death of the Manager, the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

(b) If the Termination of Employment is by any other reason, and the Manager should die while the Stockholder is still holding Option Shares (that is, LSAI has not exercised its call rights under Section 4 of this Agreement and the Stockholder has not previously sold all of the Option Shares under Section 2 of the Agreement or otherwise disposed of the Option Shares), the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held by the Stockholder, during any Put Window Period occurring at the time of, or during the five-year period after, the death of the Manager, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

(c) If after the death of the Manager a Stockholder should die while any Stockholder is still holding Option Shares, then any of the Stockholders then holding Option Shares may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares so held during any Put Window Period occurring at the time, or during the five-year period after the death of that Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

3.3 Purchase Price. The purchase price in all of the Transactions described in this Section 3 shall be the Fair Market Value of the Option Shares being tendered to LSAI, as stated in the Valuation whose release began the Put Window Period during which the put was exercised. Examples of the application of the put rules appear in the document attached to this Agreement as Exhibit 3.3.

3.4 No Partial Puts. The Stockholder, in exercising a put right under this Section 3, must sell all of the Option Shares then owned by the Stockholder. He or she cannot sell or seek to sell only a portion of those Option Shares.

3.5 Mechanics

(a) The Stockholder shall exercise a put right created by this Section 3 by delivering to LSAI, during a Put Window Period:

- a written notice (a "Put Notice") in the form attached to this Agreement as Exhibit 3.5;

- the stock certificate or certificates representing the Option Shares described in the Put Notice, properly endorsed for transfer by the Stockholder;

and

- those other documents that LSAI may reasonably request.

(b) LSAI shall promptly review the Put Notice and accompanying documents. If it concludes that the tender complies with this Agreement, then, subject to Section 6 of this Agreement, LSAI shall thereafter issue its check, in the amount of the purchase price, to the Stockholder, accept the Option Shares and cancel the related stock certificates, and the Transaction shall be considered concluded. If it questions the tender, it shall contact the Stockholder in writing, and thereafter it and the Stockholder shall cooperate in an effort to resolve the situation. If they cannot resolve it to LSAI's satisfaction within five days after the date of that notice, LSAI in its sole discretion is not obligated to complete the Transaction.

3.6 Irrevocability. The Stockholder may not withdraw a Put Notice after submission; it is irrevocable.

3.7 Interrelationship of Sections 2 and 3. A Stockholder entitled to exercise put rights under this Section 3 may exercise annual put rights under Section 2 of this Agreement and later exercise a Section 3 disability- or death-related put with respect to its, his or her remaining Option Shares.

4. LSAI Call Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

4.1 Termination of Employment. For 90 days after Termination of Employment of the Manager for any reason (including, without limitation, death or Disability), and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either section 302(b)(2) or 302(b)(3) of the Code.

4.2 Additional Disability-Related Call. For 90 days after the expiration of the five-year period described in Section 3.1 of this Agreement, and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to purchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either section 302(b)(2) or 302(b)(3) of the Code.

4.3 Additional Death-Related Call. For 90 days after the expiration of any of the five-year periods described in Sections 3.2(a), (b) and (c) of this Agreement, and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to

purchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either section 302(b)(2) or 302(b)(3) of the Code.

4.4 Unilateral Right. LSAI may exercise its repurchase rights under this Section 4 whether or not the Stockholder wishes to sell; the Stockholder will be obligated to sell upon delivery of a Call Notice. LSAI may make its decision in its sole discretion, without regard to the tax or other financial consequences to the Stockholder, and without regard to decisions it makes with respect to other persons who are parties to like agreements.

4.5 Purchase Price. The purchase price in all of the Transactions described in this Section 4 shall be the Fair Market Value of the Option Shares being repurchased by LSAI, as stated in the Valuation most recently released before the date LSAI gives the Call Notice. For example, if LSAI gives the Call Notice during an Additional Call Period, the purchase price shall be the Fair Market Value stated in the Valuation that began that Additional Call Period. Examples of the application of the put and call rules appear in the document attached to this Agreement as Exhibit 3.3.

4.6 No Partial Calls. LSAI, in exercising a call right under this Section 4, must purchase all of the Option Shares then held by the Stockholder. It cannot purchase or seek to purchase only a portion of those Option Shares.

4.7 Mechanics

(a) LSAI may exercise a call right created by this Section 4 by delivering, during any of the periods described in this Section 4, to the Stockholder, a written notice (the "Call Notice") in the form attached to this Agreement as Exhibit 4.7. Within 15 business days after receiving that Call Notice, the Stockholder shall deliver to LSAI the stock certificate or certificates representing the Option Shares, properly endorsed for transfer, a copy of the Call Notice signed by the Stockholder in the space provided for that signature and any other documents that LSAI may reasonably request.

(b) Upon receipt and approval of those materials, LSAI shall thereafter issue and deliver to the Stockholder its check in payment of the purchase price for the Option Shares, and the transaction shall be considered concluded.

(c) LSAI shall be free to complete the transaction even if the Stockholder fails to deliver the stock certificates; in that case, the Stockholder shall supply LSAI at its request with the "lost certificate" assurances contemplated by Bylaw 45 of LSAI's bylaws.

4.8 Waiver. LSAI may waive any of the limitations on the exercise of its call rights under this section, other than those relating to the time the call rights may be exercised and the purchase price of the Option Shares.

5. Impact on Stockholder

5.1 Class L Agreement. The Stockholder holds the Option Shares subject to the Class L Agreement. Except as contemplated by Section 5.3 of this Agreement, this Agreement does not in any way limit or otherwise affect the rights and obligations created by the Class L Agreement, including, without limitation, the restrictions on transfer of the Option Shares imposed by Section 2 of that agreement, and the Stockholder remains free to transfer the Option Shares as permitted by the Class L Agreement. Except as may be stated in that successor or replacement document, this Agreement shall not be affected by a successor to or replacement of the Class L Agreement.

5.2 Put Coverage

(a) The definition of "Stockholder" contained in Section 1 explains to what extent the put rights created by Sections 2 and 3 are available to transferees of the Option Shares.

(b) If as a result of a property settlement or other disposition in connection with a marital dissolution involving the Stockholder, the spouse of the Stockholder acquires Option Shares, these rules shall apply:

- with respect to the annual put rights created by Section 2 of this Agreement, the Stockholder and the ex-spouse shall hold the rights as a "unit;" that is, the Option Shares, even though held by different Stockholders, shall be treated as a single block, and the "unit" shall be in the same position as the Stockholder was prior to the disposition, including, without limitation, as a member of the Family Group. As a result, the Stockholder and the ex-spouse must, between themselves, determine which of the unit's Option Shares, if any, will be sold in a given year, and must interact as a unit with the other members of the Family Group. For example, assume that the Stockholder owns 100 Option Shares prior to the dissolution, and his Annual Block is 25 Option Shares. In the dissolution, the Stockholder transfers 50 Option Shares to his ex-spouse. It is up to the Stockholder and the ex-spouse to agree to the "composition" of those 25 Option Shares (all his, all hers or a combination) if either wishes to exercise annual put rights in a particular year, and to interact with the other members of the Family Group in including those shares in a particular Transaction. In all events, however, LSAI shall have no obligation to purchase the Option Shares unless the sale, in LSAI's sole

discretion, would be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code, with respect to each member of the Family Group who is selling Option Shares at that time. In all cases, LSAI will accept only Annual Put Notices signed by both the Family Group Representative and the ex-spouse, whether or not the ex-spouse is a seller during a particular Annual Put Period.

- with respect to the put rights created by Section 3 of this Agreement, the ex-spouse will have those rights but they will be tied to the employment status of the Manager. For example, the ex-spouse may put her Option Shares to LSAI after Termination of Employment by reason of Disability. The ex-spouse may exercise those rights even if the holder does not exercise his corresponding rights at the same time.

- with respect to the call rights created by Section 4 of this Agreement, the ex-spouse, like all transferees of the holder, will be bound by Section 5.3 of this Agreement.

The ex-spouse shall, in selling shares under this Agreement, be subject to all of the limitations and document delivery conditions applicable to the holder.

5.3 Calls Attach. By entering into this Agreement, the Stockholder agrees that the call rights created by this Agreement shall bind any transferee of the Option Shares, regardless of how that transferee acquired the Option Shares; that is, they will run with the Option Shares. Should the Stockholder transfer the Option Shares to another person (whether before or after a Termination of Employment), LSAI will be entitled to exercise the call rights and buy the Option Shares from that transferee (or his or her later transferees) under Section 4 of this Agreement. For example, if the Stockholder transfers the Option Shares before Termination of Employment, LSAI would be entitled to purchase the Option Shares from that transferee (or any later transferees) at the time of Termination of Employment or later (for example, upon the death of the Stockholder), as provided in Section 4. The Stockholder understands that the certificates representing the Option Shares will bear a conspicuous legend describing this right. The Stockholder further understands that he may not transfer the Option Shares without first providing to LSAI a document, in the form attached as Exhibit 5.3 to this Agreement, signed by the transferee and confirming the continuing effectiveness of LSAI's call rights after the transfer and the transferee's obligations to provide the documents described in Section 4.7 of this Agreement.

5.4 Voting and Dividends. This Agreement does not affect in any way

the Stockholder's right to exercise any voting or other rights attributable to ownership of the Option Shares, or to receive dividends or the like in respect of the Option Shares. (Section 7.3 of this Agreement explains that this Agreement does not restrict or affect in any way the Stockholder's ability to participate in general repurchase transactions.)

5.5 No Right to Employment. No provision of this Agreement confers upon the Manager any right to continue in the employ of LSAI or any Subsidiary, or affects LSAI's or a Subsidiary's right to terminate the employment of the Manager at any time, with or without cause.

5.6 No Impact on Benefits. No payments by LSAI under this Agreement shall be taken into account in determining any benefits of the Manager under any compensation, pension, retirement, savings, profit sharing, group insurance, welfare or other employee benefit plan of LSAI or any Subsidiary. The Stockholder's entry into this Agreement shall not affect in any way the Manager's rights or benefits under any of those plans.

5.7 No Rights To Other Sales. No provision of this Agreement entitles the Stockholder to sell Option Shares back to LSAI if Termination of Employment occur for any reason other than Death or Disability; the Stockholder's only entitlement shall be the annual put rights created under Section 2 of this Agreement. This Agreement does not speak to or affect in any way other termination situations. In addition, this Agreement does not entitle the Stockholder (or any other person) to sell shares of LSAI Stock other than the Option Shares. The references in the definition of "Annual Block" to other LSAI Stock owned and to shares of LSAI Stock to whom ownership is attributed are solely for definitional and tax purposes, and are not intended to and do not create any right in favor of any person to sell those shares to LSAI. However, ownership of LSAI Stock by others may affect the ability of the Stockholder to sell Option Shares under this Agreement.

5.8 No Right to Special Disclosure. Subject to Sections 2.2(a), 14 and 15 of this Agreement, LSAI has no duty or obligation to disclose individually to the Stockholder, the Manager or any other person, and neither the Stockholder, the Manager nor any other person has any duty or obligation to disclose to LSAI, any material information relating to LSAI, at any time prior to, at the time of, or in connection with, LSAI's repurchase of Option Shares under Sections 2, 3 or 4 of this Agreement.

5.9 Tax-related Documentation. If necessary for purposes of qualifying a transaction under Section 3 of this Agreement as an exchange under Section 302(b)(3) of the Code, LSAI is specifically authorized (without in any way limiting its rights to request any other documentation) to require evidence satisfactory to LSAI that the agreement required by Section 302(c)(2) of the Code has been executed and filed by the Stockholder with the appropriate official of the Internal Revenue Service and that such agreement has been complied with as of the date of sale.

6. Limitations on Repurchases

6.1 Limitations. LSAI is not obligated to complete a Transaction initiated under Sections 2, 3 or 4 of this Agreement if:

(a) the Transaction would, as determined by LSAI in its sole discretion: (i) result in the violation of any applicable law, including, without limitation, those laws limiting LSAI's ability to repurchase its capital stock, fraudulent conveyance laws and securities laws (including Rule 10b-6 and Rule 10b-13 under the Securities Exchange Act of 1934, as amended) or (ii) violate or conflict with the provisions of the certificate of incorporation of LSAI or of any agreement or instrument to which LSAI or any member of the Affiliated Group is a party or by which it is bound, whether now or in the future, it being understood that LSAI is free to create or bind itself to any provision that limits or restricts its ability to purchase Option Shares under this Agreement;

(b) there shall have been threatened, instituted, or pending any action or proceeding by any governmental, regulatory, or administrative agency or authority or tribunal, domestic or foreign, or by any other person, domestic or foreign, before any court or governmental, regulatory, or administrative authority or agency or tribunal, domestic or foreign, which challenges or seeks to make illegal, or to delay or otherwise directly or indirectly to restrain, prohibit, or otherwise affect the Transaction, the acquisition of Option Shares in a Transaction, or otherwise relates in any manner to the Transaction or this Agreement; or in LSAI's sole discretion, and irrespective of whether it is directed at or affects the Transaction as such, could materially affect LSAI's business, financial condition, income, operations, or prospects or otherwise materially impair in any way the contemplated future conduct of LSAI's business;

(c) there shall have been any action threatened, pending, or taken, or any approval withheld, or any statute, rule, regulation, judgment, order, or injunction threatened, invoked, proposed, sought, promulgated, enacted, entered, amended, enforced, or considered to apply to the Transaction, this Agreement or to LSAI, by any court or any government or governmental, regulatory, or administrative agency or authority or tribunal, domestic or foreign, which, in LSAI's sole discretion, would or might directly or indirectly result in any of the consequences referred to in this Section 6.1;

(d) there shall have occurred or be continuing since the applicable Valuation Date: (i) the declaration of any banking moratorium or suspension of payments in respect of banks in the United States (whether or not mandatory); (ii) any general suspension of trading in, or limitation on prices for, securities on any United States national securities exchange or in the over-the-counter market; (iii) the commencement of a war, armed hostilities, or any other national or international crisis directly or indirectly involving the United States; (iv) any limitation (whether or not mandatory) by any governmental, regulatory, or administrative agency or authority on, or any event which, in LSAI's sole discretion, might affect, the extension of credit by banks or other lending institutions in the United

States; (v) any change in the general political, market, economic, or financial conditions in the United States or abroad that could have a material adverse effect on the business, condition (financial or otherwise), income, operations, or prospects of LSAI; (vi) a decline in either the Dow Jones Industrial Average or the Standard and Poor's Index of 500 Industrial Companies by an amount in excess of 10% measured from the Valuation Date of the Valuation to be used in determining the purchase price in the Transaction to the date of issuance of the Annual Put Notice, Put Notice or Call Notice, as the case may be;

(e) any change shall have occurred or been threatened in the business, condition (financial or otherwise), income, operations, stock ownership, or prospects of LSAI, which is or may be material to LSAI, as determined by LSAI in its sole discretion;

(f) a tender or exchange offer for any or all of the shares of Class L stock, or any merger, business combination, or other similar transaction with or involving LSAI, shall have been proposed, announced, or made by any person;

(g) the Stockholder fails to deliver the documents contemplated by Sections 2.5, 3.5(a), 4.7 or 5.9, as the case may be, of this Agreement, or fails to cooperate with LSAI as contemplated by Section 2.5(c) of this Agreement; or

(h) LSAI concludes, in its sole discretion, that the Transaction will be treated as a dividend, rather than as an exchange, under Section 302(b)(2) or 302(b)(3) of the Code.

6.2 LSAI's Decision. LSAI in its sole discretion decides whether any of the events or circumstances described in Section 6.1 have occurred or are occurring. If it so concludes, then, in its sole discretion, it may reject a pending or later-issued Annual Put Notice or Put Notice or revoke a pending Call Notice, as the case may be. These rules are for LSAI's sole benefit. It may assert them regardless of the circumstances giving rise to the event (including its own action or inaction), or it may ignore them and proceed with the Transaction. In addition, it may assert or ignore them with respect to a Transaction regardless of whether it makes the same decision with respect to transactions (contemporaneous or not) involving other persons who are parties to like agreements.

6.3 Consequences. LSAI exercise of its rights under this Section 6 shall have these consequences:

- If LSAI has rejected a Put Notice and the Stockholder otherwise would have no further opportunities to exercise that put right (for example, if the Stockholder attempted to exercise the put immediately before the end of the five-year period following Termination of Employment by reason of Disability), then the Stockholder (again subject to this Section 6, including this Section 6.3) shall be entitled to

exercise the put during the next Put Window Period. If the Stockholder does not exercise the put at that time, then it shall expire, and the Stockholder's only entitlement shall be the annual put rights created under Section 2 of this Agreement.

- If LSAI has rejected an Annual Put Notice or Put Notice and the Stockholder would otherwise have later opportunities to exercise that put, then the rejection shall have no special impact.

- If LSAI has revoked a Call Notice and LSAI otherwise would no have further opportunities to exercise that call right, then LSAI (again subject to this Section 6, including this Section 6.3) shall be entitled to exercise the call during the 30-day period following the next Valuation Date.

- If LSAI has revoked a Call Notice and LSAI would otherwise have later opportunities to exercise the call, then the revocation shall have no special impact.

7. Capital Structure Transactions

7.1 No Limit on LSAI. No provision of this Agreement limits the right or ability of LSAI or any Subsidiary at any time to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, windup or otherwise reorganize, or to repurchase or offer to repurchase, by tender offer, application of an estate tax repurchase policy or otherwise, shares of LSAI Stock held by the Stockholder or by other persons. That is so regardless of the impact of such a transaction on: (i) "capital" or "surplus" under the Delaware General Corporation Law; (ii) funds available for repurchases; (iii) the determination of the Annual Block; or (iv) any other relevant matter. The Stockholder understands that, as provided by the federal securities laws and as contemplated by Section 6.1 of this Agreement, LSAI cannot purchase, and is not obligated to purchase, Option Shares under this Agreement, during the period beginning at the time a tender offer or exchange offer by LSAI for LSAI Stock is publicly announced or otherwise made known to the holders of LSAI Stock and ending at the time shares tendered in response to that offer may be accepted or rejected by LSAI. As a result, put rights are effectively not exercisable during such a period, even if an Annual Put Period or Put Window Period occurs during that period. Section 6.3 explains the consequences of such a development.

7.2 Adjustment. If the Option Shares are changed by reason of a stock split, stock dividend or recapitalization, or if they are converted into or exchanged for other securities as a result of a merger, consolidation or like transaction, this Agreement shall remain applicable to the Option Shares or the new securities, as the case may be, and in the manner determined by LSAI in its sole discretion.

7.3 No Effect on Right to Participate. No provision of this Agreement limits or otherwise affects the right of the Stockholder to participate, as a holder of Class L stock, in any tender offer, recapitalization, exchange offer or other capital stock transaction initiated by LSAI or by a third party.

7.4 Impact of Public Trading. This Agreement shall terminate if and at the time the Class L stock, or any security (issued by LSAI or a third party) into which the Class L may be converted, is or becomes listed for trading on a national stock exchange or national market system, including, without limitation, the NASDAQ National Market System.

8. No Advice

By signing below, the Stockholder is confirming that LSAI has made no warranties or representations to the Stockholder about the tax, financial or legal consequences of any of the transactions contemplated by this Agreement, and that the Stockholder is not in any manner relying on LSAI for advice about, or an assessment of, those consequences.

9. Unfunded Status

LSAI's obligations under this Agreement are not "funded." LSAI has no obligation to set aside or segregate any funds or other assets in order to meet those obligations. Neither LSAI nor any of its directors, officers or agents shall be considered a trustee of any monies that may be payable under this Agreement. LSAI's obligations are solely contractual in nature, and are not secured by, and should not be considered secured by, any lien or encumbrance on any property of LSAI or of any other member of the Affiliated Group.

10. Entire Agreement; Amendment

This Agreement and its exhibits contain all of the terms and conditions agreed upon by LSAI and the Stockholder relating to its subject matter, represent the final, complete and exclusive statement of LSAI and the Stockholder, and supersede any and all prior or contemporaneous agreements, negotiations, correspondence, understandings and communications between LSAI and the Stockholder, whether oral or written. This Agreement may be amended only as stated in and by a writing signed by LSAI and the Stockholder which refers specifically to this Agreement and states that it is amending this Agreement.

11. Binding Effect; Assignment

This Agreement shall be binding upon the successors and permitted

assigns of LSAI and the Stockholder. (Section 5.3 explains the impact of this Agreement on transferees of the Option Shares.) LSAI may, without obtaining the consent of the Stockholder, freely assign its rights and delegate its duties (either directly or by operation of law) under this Agreement to: (i) any affiliate of LSAI (including, without limitation, Levi Strauss & Co. ("LS&CO.") or any subsidiary of LS&CO. or LSAI, whether in existence now or formed in the future); (ii) any successor to LSAI by merger or consolidation; or (iii) any purchaser of all or substantially all of the assets of LSAI or of LS&CO. The Stockholder may not assign its rights or delegate its duties without the express, prior written consent of LSAI.

12. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the state of California.

13. Further Assurances

LSAI and the Stockholder shall sign those other documents and take those other actions as the other may reasonably request in order to effect the transactions contemplated by this Agreement.

14. Notices

Any notice under this Agreement (including, without limitation, Annual Put Notices, Put Notices, Call Notices and notices of Valuations) shall be given by mail or by courier delivery or facsimile transmission addressed to:

If to LSAI:

Levi Strauss Associates Inc.
Levi's Plaza
1155 Battery Street/LS-7
San Francisco, CA 94111
Attn.: Corporate Secretary
Facsimile: 415/544-7650

If to the Stockholder:

The Thomas and Pauline Tusher 1976 Family Trust,
as amended, Thomas W. Tusher, Trustee
c/o Thomas W. Tusher
Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, CA 94111

If to the Family Group Representative:

William A. Quinby
1999 Harrison Street
Oakland, CA 94612

Those addresses may be changed by delivery of a notice to that effect to the other party. Notices given in the manner contemplated by this Section 14 shall be considered "given" two business days after deposit in the mail or the first business day after the date of delivery to a courier or facsimile transmission, as the case may be.

15. Release

This Agreement contains several references to "release(s)" of valuations. "Release" here means the date LSAI sends notice to the Stockholder of a Valuation; LSAI shall send to the Stockholder such a notice within three days after receipt by LSAI of a Valuation from the banking firm making that Valuation.

16. Days

References to "days" in this Agreement (for example, in the definition of "Additional Call Period" and in Section 2.3) means calendar, not business, days.

17. Counterparts

This Agreement may be signed in any number of counterparts.

* * * *

IN WITNESS WHEREOF, LSAI and the Stockholder signed and delivered this Agreement on, and it became effective on, the date appearing in the first paragraph of this Agreement.

LEVI STRAUSS ASSOCIATES INC.

Name: George B. James
Title: Senior Vice President and
Chief Financial Officer

STOCKHOLDER

THE THOMAS AND PAULINE TUSHER
1976 FAMILY TRUST, AS AMENDED,
THOMAS W. TUSHER, TRUSTEE

ACKNOWLEDGMENT BY FAMILY
GROUP REPRESENTATIVE:

- ---

WILLIAM A. QUINBY

The Stockholder's signature confirms
his approval of the Family Group
Representative.

Exhibit 10ll

MANAGER FAMILY MEMBER STOCK PURCHASE AGREEMENT

THIS IS A MANAGER FAMILY MEMBER STOCK PURCHASE AGREEMENT, dated October 28, 1994 (the "Agreement"), between LEVI STRAUSS ASSOCIATES INC., a Delaware corporation ("LSAI") and THE JAMES FAMILY TRUST, GEORGE B. JAMES AND BEVERLY B. JAMES, TRUSTEES, U/T/A DATED SEPTEMBER 13, 1973 (THE "STOCKHOLDER").

B A C K G R O U N D

The Stockholder is a trust established by a senior manager of LSAI or of one of its principal subsidiaries. It acquired shares of LSAI's Class L common stock from that manager; the manager had obtained the shares by exercising stock options granted to him by LSAI. That stock is not publicly traded, and its transfer is restricted under an agreement among LSAI and all of the holders of Class L stock. LSAI and the Stockholder believe it desirable that the Stockholder be able to sell, and LSAI be able to repurchase, these shares, on the basis described in this Agreement. Those "put" and "call" arrangements are the subjects of this Agreement.

LSAI AND THE STOCKHOLDER AGREE AS FOLLOWS:

1. Definitions

These terms have these meanings:

" Additional Call Period" means the 30-day period after the release of the next Valuation if the applicable Termination of Employment occurs more than 90 days after the release of the Valuation immediately preceding the Termination of Employment.

"Affiliated Group" means the group of corporations consisting of LSAI and its Subsidiaries.

"Annual Block" means a block of Option Shares equal in number to: the greater of: (a) 25% of the number of total Option Shares on the date of this Agreement or (b) the minimum number of shares of LSAI Stock which must be sold by the Stockholder in order for the sale to be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or

302(b)(3) of the Code, determined as of the Annual Block Measurement Date and taking into account any other shares of LSAI stock owned by the Stockholder and any shares the ownership of which is attributed to the Stockholder under Section 318 of the Code. If, by reason of sales of Option Shares by the Stockholder (under this Agreement or otherwise), the Stockholder may in the future hold a block of Option Shares smaller in number than 25% of the Option Shares on the date of this Agreement, then "Annual Block" means that number of "remaining" Option Shares, so long as the repurchase would meet the "exchange, not dividend" standard contemplated by clause (b) of this definition and Section 2.2(b) of this Agreement.

"Annual Block Measurement Date" means the date of completion of a Transaction contemplated by Section 2 of this Agreement.

"Annual Put Period" means the 30-day period after the release of the Year-end Valuation in any year.

"Beneficiary" means the estate of a Trust Beneficiary holding Option Shares and, if the Stockholder or estate distributes Option Shares after the death of the Trust Beneficiary, the person or entity who holds the Option Shares after that distribution.

"Call Notice" has the meaning given it in Section 4.7 of this Agreement.

"Class L Agreement" means the Class L Stockholders Agreement, dated as of April 30, 1991, among LSAI and all of the holders of LSAI's Class L common stock, including the Stockholder, as it may be amended, and any replacement of or successor to that agreement.

"Code" means the Internal Revenue Code of 1986, as amended and as it may be amended, and any successor statute.

"Disability" has the meaning given to that term under the defined benefit pension plan of LSAI applicable to the Manager or, if no such plan is applicable, the Revised Home Office Pension Plan or any successor to that plan (the "HOPP") or, if the HOPP is terminated, under the HOPP as in effect immediately prior to its termination.

"Estimated Pre-tax Earnings" means LSAI's estimated consolidated net income for a fiscal year (excluding the impact of extraordinary items and changes in accounting principles), as determined by LSAI's chief financial officer at a time determined by that officer before the release of the Year-end Valuation for that fiscal year. The determination of Estimated Pre-tax Earnings by that officer shall be final and binding on both LSAI and the Stockholder.

"Fair Market Value" means, as of any date, the value of LSAI's Class E common stock as determined in the most recent valuation ("Valuation") of that stock obtained by LSAI for use in valuing shares of Class E stock for issuance under its employee investment and stock purchase plans. (Class E

stock and Class L stock are considered for purposes of this Agreement to have the same value.)

"LSAI Stock" means the Class L common stock of LSAI (including the Option Shares), the Class E common stock of LSAI and any other class of LSAI capital stock outstanding on or after the date of this Agreement and as may be affected by Section 7.2 of this Agreement.

"Manager" means George B. James.

"Option Shares" means all shares of LSAI's Class L common stock acquired by the Stockholder from the Manager, which shares were initially acquired by the Manager through either the exercise by the Manager of stock options granted to the Stockholder by LSAI or by purchase from LSAI as a condition to receiving those stock option grants, of which on the date of this Agreement the Stockholder has ownership, and any shares that may be acquired by the Stockholder after the date of this Agreement following exercise of outstanding stock options held by the Manager on the date of this Agreement and transfer of those newly-acquired shares to the Stockholder. "Option Shares" do not include any shares of Class L stock acquired in any other manner (for example, in connection with the formation of HHF Corp.), any Class E shares (for example, those acquired through participation by the Manager in the Employee Stock Purchase and Stock Award Plan) or any shares of Class L stock acquired in any other manner (for example, through a purchase from another holder of Class L stock.)

"Put Notice" has the meaning given it in Section 3.5 of this Agreement.

"Put Window Period" means the 90-day period after release of a Valuation.

"Stockholder" means the Stockholder and, following the distribution, if any, of the Option Shares to the Trust Beneficiary, the Trust Beneficiary.

"Subsidiary" means a corporation (other than LSAI) in an unbroken chain of corporations beginning with LSAI if each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one or the other corporations in the chain.

"Termination of Employment" means a cessation of employment (whether initiated by the Manager or by the employer or by reason of the death or Disability of the Manager) of the Manager by any member of the Affiliated Group, if the Manager is not employed immediately thereafter by another member of the Affiliated Group.

"Transaction" means a purchase of Option Shares under Section 2, 3 or 4 of this Agreement.

"Trust Beneficiary" means the beneficiary of the trust which is the

Stockholder.

"Valuation" is defined in the definition of Fair Market Value.

"Valuation Date" means the release date of any Valuation.

"Year-end Valuation" means the Valuation last released in a fiscal year, or such other Valuation as determined by LSAI in its sole discretion.

2. Stockholder Annual Put Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

2.1 Annual Put. During the Annual Put Period in any year, the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase an Annual Block.

2.2 Limitations

(a) LSAI and persons in addition to the Stockholder are parties to agreements creating the same "annual put rights" described in Section 2.1 in favor of those persons. LSAI will not be obligated to complete a repurchase initiated by the Stockholder under Section 2.1 of this Agreement if the aggregate purchase price for all annual put exercises in that year exceeds ten percent of Estimated Pre-tax Earnings. LSAI in its sole discretion decides whether there is such an excess. If it so decides, it may choose not to repurchase any shares of Class L stock from any person, including the Stockholder, who has exercised under these agreements these annual put rights; that is, there will be no proration, first-in-line or other allocation mechanism designed to permit partial sales.

(b) LSAI is obligated under Section 2.1 of this Agreement to purchase Option Shares only if the Stockholder has sufficient Option Shares in order to "assemble" an Annual Block; that is, LSAI will not be obligated to complete a repurchase initiated by the Stockholder under Section 2.1 if LSAI concludes, in its sole discretion, that the repurchase will be treated as a dividend rather than an exchange described in Section 302(b)(2) or 302(b)(3) of the Code.

2.3 Mechanics

(a) The Stockholder shall exercise a put right created by this Section 2 by delivering to LSAI, during an Annual Put Period:

- a written notice (a "Annual Put Notice") in the form attached to this Agreement as Exhibit 2.3;

- the stock certificate or certificates representing the Option Shares described in the Annual Put Notice, properly endorsed for transfer by the

Stockholder; and

- those other documents that LSAI may reasonably request.

(b) LSAI shall review the Annual Put Notice and begin determining the Annual Block. It may seek further information about LSAI Stock owned by or attributed to the Stockholder; the Stockholder shall cooperate with LSAI in developing that information and analysis.

(c) Within ten days after the end of the Annual Put Period, LSAI shall advise the Stockholder in writing either that:

- LSAI will not complete the Transaction because one or more of the conditions described in Section 2.2 is not satisfied or LSAI, on the basis described in Section 6 of this Agreement, decided not to complete it; or

- it will complete the Transaction, stating the number of Option Shares comprising the Annual Block, it being understood that the Annual Block may comprise more than 25% of the Option Shares, and that, in that case, the Stockholder may need to deliver additional stock certificates.

If LSAI notifies the Stockholder that it will complete the Transaction and concludes that the materials submitted are in proper form, then, subject to Section 6 of this Agreement, LSAI shall thereafter issue its check, in the amount of the purchase price, to the Stockholder, accept the Option Shares and cancel or replace the related stock certificates, and the transaction shall be considered concluded. If it questions the tender materials, it shall contact the Stockholder in writing, and thereafter it and the Stockholder shall cooperate in an effort to resolve the situation. If they cannot resolve it to LSAI's satisfaction within five days after the date of that notice, LSAI in its sole discretion will not be obligated to complete the Transaction.

(d) The Stockholder acknowledges that the Annual Block Measurement Date is the date of completion of the Transaction, and that other transactions involving shares of LSAI Stock (including, without limitation, shares that may be attributed to the Stockholder under Section 318 of the Code) in the period from date of the Annual Put Notice to and including the Annual Block Measurement Date, may affect the final determination of the Annual Block. The Stockholder agrees to advise LSAI of any such transactions promptly. If there is such a transaction and the Annual Block changes in amount, the Stockholder shall be bound to sell that new number of Option Shares.

2.4 Irrevocability. The Stockholder may not withdraw her Annual Put Notice after submission; it is irrevocable.

2.5 Purchase Price. The purchase price for the Transactions described in this Section 2 shall be the Fair Market Value of the Option Shares being tendered to LSAI, as stated in the Year-end Valuation whose release began the applicable Annual Put Period.

3. Disability and Death Put Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

3.1 Disability. During any Put Window Period occurring at the time of, or during the five-year period after, Termination of Employment by reason of Disability of the Manager, the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

3.2 Death

(a) During any Put Window Period occurring at the time of, or during the five-year period after, Termination of Employment by reason of the death of the Manager, the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

(b) If the Termination of Employment is by any other reason, and the Manager should die while the Stockholder is still holding Option Shares (that is, LSAI has not exercised its call rights under Section 4 of this Agreement and the Stockholder has not previously sold all of the Option Shares under Section 2 of the Agreement or otherwise disposed of the Option Shares), the Stockholder may require LSAI to, and LSAI will be obligated to, repurchase all of the Option Shares then held by the Stockholder, during any Put Window Period occurring at the time of, or during the five-year period after, the death of the Manager, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

(c) If after the death of the Manager the Trust Beneficiary should die while the Stockholder or Trust Beneficiary is still holding Option Shares, the Stockholder or the Beneficiary, as the case may be, may require LSAI to, and LSAI will be obligated to, repurchase the Option Shares so held, during any Put Window Period occurring at the time of, or during the five-year period after, the death of the Trust Beneficiary, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code.

3.3 Purchase Price. The purchase price in all of the Transactions described in this Section 3 shall be the Fair Market Value of the Option Shares being tendered to LSAI, as stated in the Valuation whose release began the Put Window Period during which the put was exercised. Examples of the application of the put rules appear in the document attached to this Agreement as Exhibit 3.3.

3.4 No Partial Puts. The Stockholder or Beneficiary, in exercising a put right under this Section 3, must sell all of the Option Shares then owned by the Stockholder or Beneficiary. He or she cannot sell or seek to sell only a portion of those Option Shares.

3.5 Mechanics

(a) The Stockholder or Beneficiary shall exercise a put right created by this Section 3 by delivering to LSAI, during a Put Window Period:

- a written notice (a "Put Notice") in the form attached to this Agreement as Exhibit 3.5;

- the stock certificate or certificates representing the Option Shares described in the Put Notice, properly endorsed for transfer by the Stockholder; and

- those other documents that LSAI may reasonably request.

(b) LSAI shall promptly review the Put Notice and accompanying documents. If it concludes that the tender complies with this Agreement, then, subject to Section 6 of this Agreement, LSAI shall thereafter issue its check, in the amount of the purchase price, to the Stockholder or the Beneficiary, accept the Option Shares and cancel the related stock certificates, and the Transaction shall be considered concluded. If it questions the tender, it shall contact the Stockholder or Beneficiary in writing, and thereafter it and the Stockholder or Beneficiary shall cooperate in an effort to resolve the situation. If they cannot resolve it to LSAI's satisfaction within five days after the date of that notice, LSAI in its sole discretion is not obligated to complete the Transaction.

3.6 Irrevocability. The Stockholder or Beneficiary may not withdraw a Put Notice after submission; it is irrevocable.

3.7 Interrelationship of Sections 2 and 3. A Stockholder or Beneficiary entitled to exercise put rights under this Section 3 may exercise annual put rights under Section 2 of this Agreement and later exercise a Section 3 disability- or death-related put with respect to its, his or her remaining Option Shares.

4. LSAI Call Rights

SUBJECT TO SECTION 6 OF THIS AGREEMENT:

4.1 Termination of Employment. For 90 days after Termination of Employment of the Manager for any reason (including, without limitation, death or Disability), and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to repurchase all of the Option Shares then held by the Stockholder, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either section 302(b)(2) or 302(b)(3) of the Code.

4.2 Additional Disability-Related Call. For 90 days after the expiration of the five-year period described in Section 3.1 of this Agreement, and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to purchase all of the Option Shares then held by the Stockholder or Beneficiary, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either section 302(b)(2) or 302(b)(3) of the Code.

4.3 Additional Death-Related Call. For 90 days after the expiration of any of the five-year periods described in Sections 3.2(a), (b) and (c) of this Agreement, and again during the first Additional Call Period, if any, occurring after the end of that 90-day period, LSAI shall be entitled to purchase all of the Option Shares then held by the Stockholder or the Beneficiary, provided that any such purchase will, as determined by LSAI in its sole discretion, be treated as an exchange rather than as a dividend under either section 302(b)(2) or 302(b)(3) of the Code.

4.4 Unilateral Right. LSAI may exercise its repurchase rights under this Section 4 whether or not the Stockholder or Beneficiary wishes to sell; the Stockholder or Beneficiary will be obligated to sell upon delivery of a Call Notice. LSAI may make its decision in its sole discretion, without regard to the tax or other financial consequences to the Stockholder or Beneficiary, and without regard to decisions it makes with respect to other persons who are parties to like agreements.

4.5 Purchase Price. The purchase price in all of the Transactions described in this Section 4 shall be the Fair Market Value of the Option Shares being repurchased by LSAI, as stated in the Valuation most recently released before the date LSAI gives the Call Notice. For example, if LSAI gives the Call Notice during an Additional Call Period, the purchase price shall be the Fair Market Value stated in the Valuation that began that Additional Call Period. Examples of the application of the put and call rules appear in the document attached to this Agreement as Exhibit 3.3.

4.6 No Partial Calls. LSAI, in exercising a call right under this Section 4, must purchase all of the Option Shares then held by the Stockholder or Beneficiary. It cannot purchase or seek to purchase only a portion of those Option Shares.

4.7 Mechanics

(a) LSAI may exercise a call right created by this Section 4 by delivering, during any of the periods described in this Section 4, to the Stockholder or Beneficiary, a written notice (the "Call Notice") in the form attached to this Agreement as Exhibit 4.7. Within 15 business days after receiving that Call Notice, the Stockholder or Beneficiary shall deliver to LSAI the stock certificate or certificates representing the Option Shares, properly endorsed for transfer, a copy of the Call Notice signed by the Stockholder or Beneficiary in the space provided for that signature and any other documents that LSAI may reasonably request.

(b) Upon receipt and approval of those materials, LSAI shall thereafter issue and deliver to the Stockholder or Beneficiary its check in payment of the purchase price for the Option Shares, and the transaction shall be considered concluded.

(c) LSAI shall be free to complete the transaction even if the Stockholder or Beneficiary fails to deliver the stock certificates; in that case, the Stockholder or Beneficiary shall supply LSAI at its request with the "lost certificate" assurances contemplated by Bylaw 45 of LSAI's bylaws.

4.8 Waiver. LSAI may waive any of the limitations on the exercise of its call rights under this section, other than those relating to the time the call rights may be exercised and the purchase price of the Option Shares.

5. Impact on Stockholder

5.1 Class L Agreement. The Stockholder holds the Option Shares subject to the Class L Agreement. Except as contemplated by Section 5.3 of this Agreement, this Agreement does not in any way limit or otherwise affect the rights and obligations created by the Class L Agreement, including, without limitation, the restrictions on transfer of the Option Shares imposed by Section 2 of that agreement, and the Stockholder remains free to transfer the Option Shares as permitted by the Class L Agreement. Except as may be stated in that successor or replacement document, this Agreement shall not be affected by a successor to or replacement of the Class L Agreement.

5.2 Puts Personal

(a) Except as described in Section 5.2(b) and 5.2(c), the put rights created by this Agreement are "personal" to the Stockholder. That is, they do not "run with the Option Shares." If the Stockholder transfers the Option Shares to another person, that person will not be entitled to exercise the put rights and to sell the Option Shares under Sections 2 and 3 of this Agreement.

(b) The Stockholder is a trust. Under its terms, it may

distribute the Option Shares. If that happens and the Trust Beneficiary or Beneficiary is the distributee, that person shall be treated as the "Stockholder," and shall be entitled to the same put and other rights created by this Agreement in favor of, and shall be subject to the same limitations imposed upon, the Stockholder.

(c) Should the Trust Beneficiary or Beneficiary acquire Option Shares in a distribution from the Stockholder and, if later as a result of a property settlement or other disposition in connection with a marital dissolution involving such a Trust Beneficiary or Beneficiary, the spouse of that person acquires Option Shares, these rules shall apply:

- with respect to the annual put rights created by Section 2 of this Agreement, the holder and the ex-spouse shall hold the rights as a "unit;" that is, the Option Shares, even though held by different holders, shall be treated as a single block, and the "unit" shall be in the same position as the holder was prior to the disposition. As a result, the holder and the ex-spouse must, between themselves, determine which of the unit's Option Shares, if any, will be sold in a given year. For example, assume that the holder owns 100 Option Shares prior to the dissolution, and his Annual Block is 25 Option Shares. In the dissolution, the holder transfers 50 Option Shares to his ex-spouse. It is up to the holder and the ex-spouse to agree to the "composition" of those 25 Option Shares (all his, all hers or a combination) if either wishes to exercise annual put rights in a particular year. In all events, however, LSAI shall have no obligation to purchase the Option Shares unless the sale, in LSAI's sole discretion, would be treated as an exchange, rather than as a dividend, under either Section 302(b)(2) or 302(b)(3) of the Code, with respect to the seller or, if both the holder and the ex-spouse are selling, both sellers. In all cases, LSAI will accept only Annual Put Notices signed by both the holder and the ex-spouse, whether or not the ex-spouse is a seller during a particular Annual Put Period.

- with respect to the put rights created by Section 3 of this Agreement, the ex-spouse will have those rights but they will be tied to the employment status of the Manager. For example, the ex-spouse may put her Option Shares to LSAI after Termination of Employment by reason of Disability. The ex-spouse may exercise those rights even if the holder does not exercise his corresponding rights at the same time.

- with respect to the call rights created by Section 4 of this Agreement, the ex-spouse, like all transferees of the holder, will be bound by Section 5.3 of this Agreement.

The ex-spouse shall, in selling shares under this Agreement, be subject to all of the limitations and document delivery conditions applicable to the holder.

5.3 Calls Attach. By entering into this Agreement, the Stockholder agrees that the call rights created by this Agreement shall bind a transferee of the Option Shares; that is, they will run with the Shares. Should the Stockholder (or, later, the Beneficiary) transfer the Shares to another person (whether before or after a Termination of Employment and including a distribution to the Trust Beneficiary), LSAI will be entitled to exercise the call rights and buy the Shares from that transferee (or his or her later transferees) under Section 4 of this Agreement. For example, if the Stockholder transfers the Shares before Termination of Employment, LSAI would be entitled to purchase the Shares from that transferee (or any later transferees) at the time of Termination of Employment or later (for example, upon the death of the Stockholder), as provided in Section 4. The Stockholder understands that the certificates representing the Shares will bear a conspicuous legend describing this right. The Stockholder further understands that he may not transfer the Shares without first providing to LSAI a document, in the form attached as Exhibit 5.3 to this Agreement, signed by the transferee and confirming the continuing effectiveness of LSAI's call rights after the transfer and the transferee's obligations to provide the documents described in Section 4.7 of this Agreement.

5.4 Voting and Dividends. This Agreement does not affect in any way the Stockholder's right to exercise any voting or other rights attributable to ownership of the Option Shares, or to receive dividends or the like in respect of the Option Shares. (Section 7.3 of this Agreement explains that this Agreement does not restrict or affect in any way the Stockholder's ability to participate in general repurchase transactions.)

5.5 No Right to Employment. No provision of this Agreement confers upon the Manager any right to continue in the employ of LSAI or any Subsidiary, or affects LSAI's or a Subsidiary's right to terminate the employment of the Manager at any time, with or without cause.

5.6 No Impact on Benefits. No payments by LSAI under this Agreement shall be taken into account in determining any benefits of the Manager under any compensation, pension, retirement, savings, profit sharing, group insurance, welfare or other employee benefit plan of LSAI or any Subsidiary. The Stockholder's entry into this Agreement shall not affect in any way the Manager's rights or benefits under any of those plans.

5.7 No Rights To Other Sales. No provision of this Agreement entitles the Stockholder to sell Option Shares back to LSAI if Termination of

Employment occur for any reason other than Death or Disability; the Stockholder's only entitlement shall be the annual put rights created under Section 2 of this Agreement. This Agreement does not speak to or affect in any way other termination situations. In addition, this Agreement does not entitle the Stockholder (or any other person) to sell shares of LSAI Stock other than the Option Shares. The references in the definition of "Annual Block" to other LSAI Stock owned and to shares of LSAI Stock to whom ownership is attributed are solely for definitional and tax purposes, and are not intended to and do not create any right in favor of any person to sell those shares to LSAI. However, ownership of LSAI Stock by others may affect the ability of the Stockholder to sell Option Shares under this Agreement.

5.8 No Right to Special Disclosure. LSAI has no duty or obligation to disclose individually to the Stockholder, the Trust Beneficiary, the Beneficiary or the Manager, the Stockholder, the Trust Beneficiary, the Manager and any Beneficiary shall have no right to be individually advised by LSAI of, and the Stockholder, the Trust Beneficiary, the Manager and any Beneficiary have no duty or obligation to disclose to LSAI, any material information relating to LSAI, at any time prior to, at the time of, or in connection with, LSAI's repurchase of Option Shares under Sections 2, 3 or 4 of this Agreement.

5.9 Tax-related Documentation. If necessary for purposes of qualifying a transaction under Section 3 of this Agreement as an exchange under Section 302(b)(3) of the Code, LSAI is specifically authorized (without in any way limiting its rights to request any other documentation) to require evidence satisfactory to LSAI that the agreement required by Section 302(c)(2) of the Code has been executed and filed by the Stockholder with the appropriate official of the Internal Revenue Service and that such agreement has been complied with as of the date of sale.

6. Limitations on Repurchases

6.1 Limitations. LSAI is not obligated to complete a Transaction initiated under Sections 2, 3 or 4 of this Agreement if:

(a) the Transaction would, as determined by LSAI in its sole discretion: (i) result in the violation of any applicable law, including, without limitation, those laws limiting LSAI's ability to repurchase its capital stock, fraudulent conveyance laws and securities laws (including Rule 10b-6 and Rule 10b-13 under the Securities Exchange Act of 1934, as amended) or (ii) violate or conflict with the provisions of the certificate of incorporation of LSAI or of any agreement or instrument to which LSAI or any member of the Affiliated Group is a party or by which it is bound, whether now or in the future, it being understood that LSAI is free to create or bind itself to any provision that limits or restricts its ability to purchase Option Shares under this Agreement;

(b) there shall have been threatened, instituted, or pending any action or proceeding by any governmental, regulatory, or administrative

agency or authority or tribunal, domestic or foreign, or by any other person, domestic or foreign, before any court or governmental, regulatory, or administrative authority or agency or tribunal, domestic or foreign, which challenges or seeks to make illegal, or to delay or otherwise directly or indirectly to restrain, prohibit, or otherwise affect the Transaction, the acquisition of Option Shares in a Transaction, or otherwise relates in any manner to the Transaction or this Agreement; or in LSAI's sole discretion, and irrespective of whether it is directed at or affects the Transaction as such, could materially affect LSAI's business, financial condition, income, operations, or prospects or otherwise materially impair in any way the contemplated future conduct of LSAI's business;

(c) there shall have been any action threatened, pending, or taken, or any approval withheld, or any statute, rule, regulation, judgment, order, or injunction threatened, invoked, proposed, sought, promulgated, enacted, entered, amended, enforced, or considered to apply to the Transaction, this Agreement or to LSAI, by any court or any government or governmental, regulatory, or administrative agency or authority or tribunal, domestic or foreign, which, in LSAI's sole discretion, would or might directly or indirectly result in any of the consequences referred to in this Section 6.1;

(d) there shall have occurred or be continuing since the applicable Valuation Date: (i) the declaration of any banking moratorium or suspension of payments in respect of banks in the United States (whether or not mandatory); (ii) any general suspension of trading in, or limitation on prices for, securities on any United States national securities exchange or in the over-the-counter market; (iii) the commencement of a war, armed hostilities, or any other national or international crisis directly or indirectly involving the United States; (iv) any limitation (whether or not mandatory) by any governmental, regulatory, or administrative agency or authority on, or any event which, in LSAI's sole discretion, might affect, the extension of credit by banks or other lending institutions in the United States; (v) any change in the general political, market, economic, or financial conditions in the United States or abroad that could have a material adverse effect on the business, condition (financial or otherwise), income, operations, or prospects of LSAI; (vi) a decline in either the Dow Jones Industrial Average or the Standard and Poor's Index of 500 Industrial Companies by an amount in excess of 10% measured from the Valuation Date of the Valuation to be used in determining the purchase price in the Transaction to the date of issuance of the Annual Put Notice, Put Notice or Call Notice, as the case may be;

(e) any change shall have occurred or been threatened in the business, condition (financial or otherwise), income, operations, stock ownership, or prospects of LSAI, which is or may be material to LSAI, as determined by LSAI in its sole discretion;

(f) a tender or exchange offer for any or all of the shares of Class L stock, or any merger, business combination, or other similar transaction with or involving LSAI, shall have been proposed, announced, or

made by any person;

(g) the Stockholder fails to deliver the documents contemplated by Sections 2.3(e), 3.5(a), 4.7 or 5.9, as the case may be, of this Agreement, or fails to cooperate with LSAI as contemplated by Section 2.3(c) of this Agreement; or

(h) LSAI concludes, in its sole discretion, that the Transaction will be treated as a dividend, rather than as an exchange, under Section 302(b)(2) or 302(b)(3) of the Code.

6.2 LSAI's Decision. LSAI in its sole discretion decides whether any of the events or circumstances described in Section 6.1 have occurred or are occurring. If it so concludes, then, in its sole discretion, it may reject a pending or later-issued Annual Put Notice or Put Notice or revoke a pending Call Notice, as the case may be. These rules are for LSAI's sole benefit. It may assert them regardless of the circumstances giving rise to the event (including its own action or inaction), or it may ignore them and proceed with the Transaction. In addition, it may assert or ignore them with respect to a Transaction regardless of whether it makes the same decision with respect to transactions (contemporaneous or not) involving other persons who are parties to like agreements.

6.3 Consequences. LSAI exercise of its rights under this Section 6 shall have these consequences:

- If LSAI has rejected a Put Notice and the Stockholder or Beneficiary otherwise would have no further opportunities to exercise that put right (for example, if the Stockholder attempted to exercise the put immediately before the end of the five-year period following Termination of Employment by reason of Disability), then the Stockholder or Beneficiary (again subject to this Section 6, including this Section 6.3) shall be entitled to exercise the put during the next Put Window Period. If the Stockholder does not exercise the put at that time, then it shall expire, and the Stockholder's or Beneficiary's only entitlement shall be the annual put rights created under Section 2 of this Agreement.

- If LSAI has rejected an Annual Put Notice or Put Notice and the Stockholder or Beneficiary would otherwise have later opportunities to exercise that put, then the rejection shall have no special impact.

- If LSAI has revoked a Call Notice and LSAI otherwise would no have further opportunities to exercise that call right, then LSAI (again subject to this Section 6, including this Section 6.3) shall be entitled to exercise the call during the 30-day period following the next Valuation Date.

- If LSAI has revoked a Call Notice and LSAI would otherwise have later opportunities to exercise the call, then the revocation shall have no special impact.

7. Capital Structure Transactions

7.1 No Limit on LSAI. No provision of this Agreement limits the right or ability of LSAI or any Subsidiary at any time to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, windup or otherwise reorganize, or to repurchase or offer to repurchase, by tender offer, application of an estate tax repurchase policy or otherwise, shares of LSAI Stock held by the Stockholder or by other persons. That is so regardless of the impact of such a transaction on: (i) "capital" or "surplus" under the Delaware General Corporation Law; (ii) funds available for repurchases; (iii) the determination of the Annual Block; or (iv) any other relevant matter. The Stockholder understands that, as provided by the federal securities laws and as contemplated by Section 6.1 of this Agreement, LSAI cannot purchase, and is not obligated to purchase, Option Shares under this Agreement, during the period beginning at the time a tender offer or exchange offer by LSAI for LSAI Stock is publicly announced or otherwise made known to the holders of LSAI Stock and ending at the time shares tendered in response to that offer may be accepted or rejected by LSAI. As a result, put rights are effectively not exercisable during such a period, even if an Annual Put Period or Put Window Period occurs during that period. Section 6.3 explains the consequences of such a development.

7.2 Adjustment. If the Option Shares are changed by reason of a stock split, stock dividend or recapitalization, or if they are converted into or exchanged for other securities as a result of a merger, consolidation or like transaction, this Agreement shall remain applicable to the Option Shares or the new securities, as the case may be, and in the manner determined by LSAI in its sole discretion.

7.3 No Effect on Right to Participate. No provision of this Agreement limits or otherwise affects the right of the Stockholder to participate, as a holder of Class L stock, in any tender offer, recapitalization, exchange offer or other capital stock transaction initiated by LSAI or by a third party.

7.4 Impact of Public Trading. This Agreement shall terminate if and at the time the Class L stock, or any security (issued by LSAI or a third party) into which the Class L may be converted, is or becomes listed for trading on a national stock exchange or national market system, including, without limitation, the NASDAQ National Market System.

8. No Advice

By signing below, the Stockholder is confirming that LSAI has made

no warranties or representations to the Stockholder about the tax, financial or legal consequences of any of the transactions contemplated by this Agreement, and that the Stockholder is not in any manner relying on LSAI for advice about, or an assessment of, those consequences.

9. Unfunded Status

LSAI's obligations under this Agreement are not "funded." LSAI has no obligation to set aside or segregate any funds or other assets in order to meet those obligations. Neither LSAI nor any of its directors, officers or agents shall be considered a trustee of any monies that may be payable under this Agreement. LSAI's obligations are solely contractual in nature, and are not secured by, and should not be considered secured by, any lien or encumbrance on any property of LSAI or of any other member of the Affiliated Group.

10. Entire Agreement; Amendment

This Agreement and its exhibits contain all of the terms and conditions agreed upon by LSAI and the Stockholder relating to its subject matter, represent the final, complete and exclusive statement of LSAI and the Stockholder, and supersede any and all prior or contemporaneous agreements, negotiations, correspondence, understandings and communications between LSAI and the Stockholder, whether oral or written. This Agreement may be amended only as stated in and by a writing signed by LSAI and the Stockholder which refers specifically to this Agreement and states that it is amending this Agreement.

11. Binding Effect; Assignment

This Agreement shall be binding upon the successors and permitted assigns of LSAI and the Stockholder. (Section 5.3 explains the impact of this Agreement on transferees of the Option Shares.) LSAI may, without obtaining the consent of the Stockholder, freely assign its rights and delegate its duties (either directly or by operation of law) under this Agreement to: (i) any affiliate of LSAI (including, without limitation, Levi Strauss & Co. ("LS&CO.") or any subsidiary of LS&CO. or LSAI, whether in existence now or formed in the future); (ii) any successor to LSAI by merger or consolidation; or (iii) any purchaser of all or substantially all of the assets of LSAI or of LS&CO. The Stockholder may not assign its rights or delegate its duties without the express, prior written consent of LSAI.

12. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the state of California.

13. Further Assurances

LSAI and the Stockholder shall sign those other documents and take those other actions as the other may reasonably request in order to effect the transactions contemplated by this Agreement.

14. Notices

Any notice under this Agreement (including, without limitation, Annual Put Notices, Put Notices, Call Notices and notices of Valuations) shall be given by mail or by courier delivery or facsimile transmission addressed to:

If to LSAI:

Levi Strauss Associates Inc.
Levi's Plaza
1155 Battery Street/LS-7
San Francisco, CA 94111
Attn.: Corporate Secretary
Facsimile: 415/544-7650

If to the Stockholder:

James Family Trust
c/o George B. James
Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, CA 94111

Those addresses may be changed by delivery of a notice to that effect to the other party. Notices given in the manner contemplated by this Section 14 shall be considered "given" two business days after deposit in the mail or the first business day after the date of delivery to a courier or facsimile transmission, as the case may be.

15. Release

This Agreement contains several references to "release(s)" of valuations. "Release" here means the date LSAI sends notice to the Stockholder of a Valuation; LSAI shall send to the Stockholder such a notice within three days after receipt by LSAI of a Valuation from the banking firm making that Valuation.

16. Multiple Beneficiaries

If there is more than one Trust Beneficiary or Beneficiary, each such person shall have the rights and obligations of a "Trust Beneficiary" or "Beneficiary," as the case may be, under this Agreement with respect to his or her Option Shares, and shall be treated for all purposes as an independent contracting party.

17. Days

References to "days" in this Agreement (for example, in the definition of "Additional Call Period" and in Section 2.3) means calendar, not business, days.

18. Counterparts

This Agreement may be signed in any number of counterparts.

* * * *

IN WITNESS WHEREOF, LSAI and the Stockholder signed and delivered this Agreement on, and it became effective on, the date appearing in the first paragraph of this Agreement.

LEVI STRAUSS ASSOCIATES INC.

Name: George B. James
Title: Senior Vice President and
Chief Financial Officer

STOCKHOLDER

THE JAMES FAMILY TRUST, GEORGE B. JAMES AND BEVERLY B. JAMES, TRUSTEES, U/T/A DATED SEPTEMBER 13, 1973

GEORGE B. JAMES, TRUSTEE

BEVERLY B. JAMES, TRUSTEE

Exhibit 10mm

PARTNERS IN PERFORMANCE
ANNUAL INCENTIVE PLAN

Levi Strauss Associates Inc. and Subsidiaries

CONFIDENTIAL

ABOUT THIS MATERIAL

This document describes how the Annual Incentive Plan works. It explains:

- Purpose of the Plan;
- Who administers the Plan;
- Who is eligible to receive incentives;
- How incentive targets are set;
- How funds for incentives are generated;
- How the amount of a Participant's incentive is determined;
- When incentives are paid; and
- What happens in the event of termination of employment.

For more specific information on how the Plan works, refer to the Partners in Performance Compensation Guidelines. This material also refers to other compensation and human resources programs. While it may be used as a stand alone reference document, a broader understanding of all the Company compensation programs and the Performance Management Process will provide important perspective.

CONTENTS

ANNUAL INCENTIVE PLAN

The Annual Incentive Plan rewards individual and team contributions to the Company's objectives during the year. The amount of incentive earned depends on the financial performance of the Company and the performance of each individual Participant.

Purpose of Plan

- Serve as a single plan covering salaried employees worldwide.
- Align employee and shareholder interests.
- Provide a financial incentive for meeting annual corporate and individual objectives.
- Encourage and reward team performance.
- Provide managers the ability to recognize and reward key contributors and reinforce the Performance Management Process.
- Tie the incentive opportunity to external competitive practices, and internally to the Company's total compensation objectives.

Effective Date

- The Plan starts on the first day of the 1995 fiscal year.

Plan Administration

- The Plan is administered under the direction of the Personnel Committee of the Board of Directors (the Committee). The Committee's determinations and interpretations shall be binding on all Participants. Responsibilities include approving:
  - -- Design and interpretation of the Plan;
  - -- Incentive participation rates;
  - -- Financial performance measures;
  - -- Incentive pool funding sources and weights;

-- Company financial objectives;

-- Final incentive pool; and

-- Other terms and conditions that may be recommended by the Chief Executive Officer or Chief Operating Officer.

- During any period of time in which the Company and its officers and directors are subject to the requirements imposed by Section 16 of the Securities Exchange Act of 1934 (the "Act") and the Plan is considered a plan subject to Rule 16b-3 under the Act, the Committee shall be composed of "disinterested persons" as defined in Rule 16b-3. The Committee may delegate administrative responsibilities to Company employees and may delegate to Company management the authority to approve amendments to the Plan. It may not do so if it would result in the Plan not being administered by "disinterested persons" at a time when it is required to be so administered.

Eligibility
- ----------

- All salaried employees worldwide who meet the participation criteria are Participants in the Plan. Specific participation criteria is determined on a country-by-country basis.

Annual Incentive Agreement
- -------------------------

- At the start of each year, an incentive agreement is created for each participant that documents the terms, conditions, and rights as determined by the Committee. Terms include such factors as the target incentive amount, timing and form of payments, termination events, and at-will employment.

Performance Period
- -----------------

- The Plan operates on a twelve month cycle which coincides with the Company's fiscal year.

Target Amounts for Participants
- ------------------------------

- Incentive Target Amounts are set near the beginning of each fiscal year for each Participant. The annual Target Amount for each Participant is determined by multiplying the Participant's annual base salary in effect for the Plan's fiscal year by a participation rate. The Participation Rate is based on the Participant's salary grade and is expressed as a percent of annual base salary. The participation rates are:

<TABLE>
<CAPTION>

	Incentive Participation Rate (% of Base Salary)
<S>	<C>
GLT	45/50%
Grades 13/14	40%
Grade 12	35%
Grade 11/35	30%
Grade 10/33/34	25%
Grade 9/32	20%
Grade 30	20%
Chain NAM*	20%
Grades 7/8	15%
NAM*	15%
Grades 4/5/6	7%
TM, AM, AE**	7%
Grades 1/2/3	5%
Grades 20 - 26	5%

</TABLE>

* National Account Manager

** Territory Manager, Account Manager, Account Executive

Note: Sales titles and grades are reflective of the pre-CSSC organization.

- Target Amounts are calculated in local currency.

- Incentive Participation Rates will be reviewed by Human Resources on a periodic basis and may be adjusted to keep pay opportunities competitive.

- The Target Amount is comprised of two parts: a team component and an individual component.

  -- The team component is 80% of the Participant's annual incentive Target Amount.

  -- The individual component is 20% of the Participant's annual incentive Target Amount.

Sales Employees

- The method for calculating incentive Target Amounts for Territory Managers, Account Managers, and Account Executives is different than the method used for other employees. The calculation for sales employees is the Participation Rate times the sales income plan, or the Participation Rate times the maximum of certain salary grade levels, whichever is less. Target incentives are limited to the maximum of salary grade 5 for Territory Managers, the maximum of salary grade 6 for

Account Managers, and the maximum of a salary grade 7 for Account Executives.

For purposes of determining the Funded Amount, actual income from the sales compensation plan (base and sales incentive) or the maximum of the appropriate grade level, whichever is less, is used.

Incentive Pool Funding Sources

- The source of funds for Business Unit Incentive Pools is based on the actual financial performance of one or more of the following levels:

  -- Corporate
  -- Group (LSNA or LSI)
  -- Division
  -- Affiliate

- Senior management reviews the funding sources and their relative weights before the start of each fiscal year. Any changes (for example, those resulting from internal reorganizations) are approved by the Committee.

- Following are three Business Unit examples with possible weights for each funding source:

<TABLE>
<CAPTION>
Examples of Incentive Pool Funding Weights

Pool Funding Source	Corporate Staff	Division	Affiliate
<S>	<C>	<C>	<C>
Corporate	100%	25%	10%
Group		25%	
Division		50%	30%
Affiliate			60%
Total	100%	100%	100%

</TABLE>

Financial Performance Measurement

- The Committee establishes the financial measures that are used to plan the objectives and assess the performance of each funding source.

- Performance is measured based on Management Earnings (ME) and Return on

Investment (ROI).

- The ME and ROI financial performance objectives are set by the Committee before the fiscal year begins.

- For purposes of determining the final incentive pool, the actual performance of each funding source is expressed as a percent of financial target achieved. This percentage is known as the Performance Factor.

Incentive Pools
- ---------------

- After the end of the fiscal year a Performance Factor is determined for each funding source. The Performance Factor is a percentage based on the financial performance of each funding source against its financial target. The performance factor is between 0% and 200%.

- Financial performance that exceeds the minimum objectives at each funding source generates a Performance Factor starting at 1%. The Performance Factor increases to 100% when 100% of the financial performance objective is achieved.

- Performance that exceeds 100% of objectives generates a Performance Factor from 100% up to 200% if the maximum objectives are achieved or exceeded.

- If performance at all funding sources is below minimum objectives, the Performance Factor is 0% and therefore a final incentive pool is not generated.

- For Business Units with more than one funding source, a weighted average of the Performance Factors at each funding source is calculated. The weighted average is based on the funding weights established at the beginning of the year.

- After the end of the fiscal year, a Funded Amount is determined for each Participant. The Funded Amount is determined by multiplying the weighted average performance factor by the Participant's Target Amount.

- A final incentive pool for each Business Unit is determined after the end of the fiscal year. A Business Unit's final incentive pool is the sum of the Funded Amounts for each Participant within the Business Unit.

Redistribution of Final Incentive Pools
- ---------------------------------------

- After the final incentive pools have been determined, members of the Global Leadership Team (GLT), North America Management Council (NAMC), or LSI Management Association (LSI MA) may redistribute funds from one pool to another. Participants are notified prior to the start of the

performance period that redistribution is possible.

- Any redistribution of funds results in a proportional change to both the team and individual components of each affected Participant's Funded Amount.

Incentive Pool Approval
- ----------------------

- The CEO and COO recommend for Committee approval the final incentive pool after the end of the fiscal year.

Participant Incentive Allocations
- --------------------------------

- Incentive allocations to Participants in the Plan are determined by the head of the Participant's work group, based on team performance and individual contributions.

- If a Participant meets performance expectations (as determined in the Performance Management Process), he or she will receive the team component and be eligible to receive an individual incentive allocation.

- If a Participant does not meet performance expectations (as determined in the Performance Management Process), no incentive is paid. Any money budgeted for those incentives is added back to the individual component of the Business Unit's Final Incentive Pool making it available for other Participants in the Business Unit.

  TEAM COMPONENT ALLOCATION

  -- The team component allocation is up to 80% of the Participant's incentive target amount, depending on the Business Unit's Final Incentive Pool.

  -- If the Business Unit's Final Incentive Pool is less than 100% of the target Incentive Pool, the Participant's team component is adjusted proportionately lower than 80% of the Participant's Target Amount.

  -- If the Business Unit's Final Incentive Pool is more than 100% of the Incentive Pool, the individual's team component is no more than 80% of the Participant's incentive Target Amount.

  INDIVIDUAL INCENTIVE ALLOCATION

  -- Incentive funds generated by the individual component are allocated to a Participant, by the Participant's manager, based on individual performance and performance compared to other Participants in the Business Unit using the following criteria:

- Annual objectives (job responsibilities/business objectives, strategic objectives, Aspirations, and continuous improvement)

- Contributions to special projects

- Personal leadership and initiative

-- Individual incentive allocations are reviewed and approved by at least two management levels, the Participant's manager and one level above.

-- The limit to individual incentives is the limit of the Business Unit's Final Incentive Pool.

- The total funds allocated to a Participant is the Final Incentive Amount.

Incentives Payments
- ------------------

- Incentives payments are made as soon as practical after the February Board meeting following the close of the fiscal year. The Committee approves the fiscal year-end results which fund the Plan and the final incentive pool.

Termination of Employment
- -------------------------

- In the case of termination due to death, retirement, reduction in force, or long-term disability the incentive target amount is prorated for the length of time worked during the fiscal year. Any earned incentive is paid in cash as soon as practical after the February Board meeting following the close of the fiscal year.

- In the case of termination due to voluntary resignation or involuntary discharge all rights to incentive payments from the Annual Incentive Plan are forfeited.

Beneficiary Designation
- ----------------------

- As part of the incentive agreement, each Participant shall name a person or persons as the Beneficiary who is to receive any distribution payable under the Plan in the event of the Participant's death. In the event that no Beneficiary has been properly designated, or if no properly designated Beneficiary survives the Participant, the Participant's estate, or other person entitled under applicable law, shall be the Participant's Beneficiary.

Pension Credit

- ----------

- Plan payments are considered for pension plan credit for Participants who participate in a Company pension plan. Eligibility and Plan rules are defined in the applicable pension plan document.

Employment Rights
- ----------

- Neither this document nor the existence of the Plan is intended to or does imply any promise of continued employment by LS&CO. or any subsidiary of LS&CO. Employment may be terminated with or without cause, and with or without notice, at any time, at the option of the employer or the employee. No one other than the Chief Executive Officer, President or a Senior Vice President of LS&CO. may approve an agreement with an employee that guarantees his or her employment. Such an agreement must be in writing and be signed by such an officer.

- A Participant who has committed an act of gross misconduct while an employee may lose all of his or her interest, including any right, under the Plan and may not be entitled to receive any payment under the Plan.

Unfunded Status
- ----------

- The Plan is unfunded. A Participant's right to receive payments under the Plan is an unsecured claim against the general assets of the Company. Although the Company may establish a bookkeeping reserve to meet its obligations, any rights acquired by any Participant are no greater than the right of any unsecured general creditor of the Company. References to "Funded Amounts", "Incentive Pools", and the like do not refer to or represent actual, segregated assets of the Company.

Amendment, Modification, or Termination of Plan
- ----------

- The Committee or its designee(s) may modify, amend, or terminate the Plan and establish rules and procedures for its administration, at its discretion and without notice.

- ---------- ----------
Approved By Date

APPENDIX ONE: GLOSSARY OF TERMS
- ----------

- Allocation is the process of distributing funds from the final AIP pool to Participants.

- Business Unit is an organizational unit (Corporate/Global, LSNA, LSI etc.) to which Participants belong and is the basis for AIP funding.

- Company is Levi Strauss Associates Inc. (LSAI) and its subsidiaries.

- Final Incentive Amount is the approved payout, including both team and individual components, to a Participant.

- Financial Performance Measures are the business objectives set for each Funding Source for the purpose of determining the final Incentive Pool. The Committee identifies which measures are to be used and establishes the specific objectives to be used each year.

- Funded Amount is an amount generated to pay incentives based on the Participant's Target Amount and a forecast of business performance. The Funded Amount is calculated by multiplying a Participant's Target Amount by the Performance Factor.

- Funding Source: the organizational unit(s) used to set and measure financial objectives for purposes of determining the size of the final AIP allocation pools (e.g. Corporate, LSNA/LSI, Division, Affiliate).

- Incentive Pool: the sum of the Funded Amounts for each Participant within the Work Group, determined after the close of the fiscal year.

- Involuntary Discharge is an involuntary termination of employment due to violation of policy, misconduct, unsatisfactory job performance or any other reason deemed by the Company to warrant a discharge.

- Long-Term Disability is an authorized leave of absence for an extended period of time following a short-term disability of five consecutive months due to personal illness, injury or disability.

- Participant is an employee who meets the participation criteria of the Plan. Participation criteria is determined on a country-by-country basis.

- Participation Rate is the percentage used to determine a Participant's incentive Target Amount. A Participation Rate is set for each salary grade level.

- Performance Factor is the percentage used to describe the degree to which actual financial performance has met, exceeded, or fallen short of objectives. The Performance Factor is used to determine the final AIP pool.

- Performance Management Process is the program in which performance objectives are set and measured for individual employees.

- Reduction in Force or layoff is an involuntary termination of employment

which in the opinion of the Committee, results from the lack of appropriate work for the Participant and is not for the reasons of unacceptable performance or misconduct.

- Retirement is a voluntary termination of employment by an employee who meets the age and service requirement as defined and determined under the pension plan applicable to the Participant.

- Target Amount is set near the beginning of the fiscal year. It is calculated by multiplying the annual base salary by the Participation Rate.

- Team Component: The portion of the AIP funded amount which is automatically allocated if the employee receives a YES decision.

- Term Employee is an employee hired on a full-time or part-time basis for a specific period of time only. Both the starting and ending dates of employment are defined at the time of hire.

Exhibit 10nn

PARTNERS IN PERFORMANCE
LONG-TERM INCENTIVE PLAN

Levi Strauss Associates Inc. and Subsidiaries

CONFIDENTIAL

ABOUT THIS MATERIAL

This document describes how the Long-Term Incentive Plan works. It explains:

- Purpose of the Plan;
- Who administers the Plan;
- Who is eligible to receive incentives;
- How incentive target amounts are set;
- What type of incentive is granted under the Plan;
- How individual incentive grants are determined;
- What a Performance Unit is and how it works;
- When incentives are earned and paid; and
- What happens in the event of termination of employment.

For more specific information on how the Plan works, refer to the Partners in Performance Compensation Guidelines. This material also refers to other compensation and human resources programs. While it may be used as a stand alone document, a broader understanding of all Company compensation programs and the Performance Management Process will provide important perspective.

CONTENTS

LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan rewards employees for making contributions, over time, to the Company's success. Incentive grants are based on achieving long-term Company financial performance objectives and the performance of each individual Participant.

Purpose of Plan

- Serve as a single plan covering salaried employees worldwide.
- Align employee and shareholder interests.
- Provide a financial incentive for meeting long-term corporate objectives and increasing shareholder value.
- Encourage and reward team performance.
- Provide managers the ability to recognize and reward key contributors to long-term results and reinforce the Performance Management Process.
- Foster a long-term employee orientation to business activities that reflect the Company's Business Vision, Mission and Aspirations.
- Tie incentive opportunity to external competitive pay practices and internally to the Company's total compensation objectives.

Effective Date

- The Plan starts on the first day of the 1995 fiscal year.

Plan Administration

- The Plan is administered under the direction of the Personnel Committee of the Board of Directors (the Committee). The Committee's determinations and interpretations shall be binding on all Participants. Responsibilities include approving:
  - -- Design and interpretation of the Plan;
  - -- Incentive participation rates;

-- Financial performance measures and objectives;

-- Final performance unit values;

-- Final incentive payments; and

-- Other terms and conditions that may be recommended by the Chief Executive Officer and Chief Operating Officer.

- During any period of time in which the Company and its officers and directors are subject to the requirements imposed by Section 16 of the Securities Exchange Act of 1934 (the "Act") and the Plan is considered a plan subject to Rule 16b-3 under the Act, the Committee shall be composed of "disinterested persons" as defined in Rule 16b-3. The Committee may delegate administrative responsibilities to Company employees and may delegate to Company management the authority to approve amendments to the Plan. It may not do so if it would result in the Plan not being administered by "disinterested persons" at a time when it is required to be so administered.

Eligibility
- -----------

- All salaried employees worldwide who meet the participation criteria are Participants in the Plan. Specific participation criteria is determined on a country-by-country basis.

Long-Term Incentive Agreement
- -----------------------------

- At each incentive grant, an incentive agreement is created for each Participant that documents the terms, conditions, and rights as determined by the Committee. Terms include the size of the grant, vesting schedules, timing and form of payments, at-will employment, and rights at termination.

Target Amounts for Participants
- -------------------------------

- Incentive Target Amounts are set near the beginning of each fiscal year for each Participant using the new base salary and participation rate. The long-term Target Amount for each Participant is determined by multiplying the Participant's annual base salary by a Participation Rate. At year-end targets are adjusted to reflect any salary or participation rate changes that have occurred during the year. The Participation Rate is based on the Participant's salary grade and is expressed as a percent of base salary.

  The participation rates are:

<TABLE>

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	Long-Term Incentive Participation Rate (% of Base Salary)
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GLT	75%
Grades 13/14	65%
Grade 12	45%
Grades 11/35	35%
Grades 10/33/34	30%
Grades 9/32	25%
Grade 30	15%
Chain NAM*	15%
Grades 7/8	15%
NAM*	15%
TM, AM, AE**	5%
Grades 1 - 6	5%
Grades 20 - 26	5%

</TABLE>

* National Account Manager

** Territory Manager, Account Manager, Account Executive

Note: The sales titles and grades are reflective of the pre-CSSC organization.

- LTIP targets are not prorated to reflect the number of months a Participant was actively employed.

- Participation Rates will be reviewed on a periodic basis by Human Resources and may be adjusted to keep pay opportunities competitive.

- The long-term Target Amount is comprised of two parts: a team component and an individual component.

  -- The team component is 20% of the Participant's long-term incentive Target Amount.

  -- The individual component is 80% of the Participant's long-term incentive Target Amount.

- Target Amounts are calculated in local currency.

Sales Employees

- The method for calculating incentive Target Amounts for Territory Managers, Account Managers, and Account Executives is different than the method used for other employees. The calculation for sales employees is the Participation Rate times the sales income plan, or the Participation Rate times the maximum of certain salary grade levels, whichever is less. Target incentives are limited to the maximum of salary grade 5 for Territory Managers, the maximum of salary grade 6 for

Account Managers, and the maximum of a salary grade 7 for Account Executives.

For purposes of determining the Final Incentive Pool, actual fiscal year earnings (base and sales incentive) or the maximum of the appropriate salary grade level, whichever is less, is used.

Incentive Pool
- ----------

- An Incentive Pool for each Business Unit is determined near the end of each fiscal year. A Business Unit Incentive Pool is the sum of the Target Amounts for each Participant within the Business Unit. If personnel status changes in the Business Unit occur during the year, the Target Amounts on the last day of the fiscal year are used to determine the Incentive Pool.

- The Company long-term Incentive Pool is the total of all the Business Unit Incentive Pools.

Incentive Pool Approval
- ----------

- The CEO and COO recommend for Committee approval the Incentive Pool after the end of the fiscal year.

Participant Incentive Allocations
- ----------

- Incentive allocations from the Incentive Pool are made annually after the end of the fiscal year.

- Incentive allocations to Participants in the Plan are determined by the head of the individual's work group, based on team performance and individual contributions.

- If a Participant meets expectations (as determined in the Performance Management Process), he or she will receive the team component and be eligible to receive an individual incentive allocation.

- If a Participant's performance does not meet expectations (as determined in the Performance Management Process), no incentive is granted. Any money budgeted for those grants is added back to the individual component of the Business Unit's Incentive Pool making it available for other Participants in the Business Unit.

TEAM COMPONENT ALLOCATION

-- The team component allocation is 20% of the Participant's long-term incentive Target Amount.

INDIVIDUAL INCENTIVE ALLOCATION

-- Incentive funds generated by the individual component are allocated to a Participant by the Participant's manager based on performance compared to other Participants in the Business Unit using the following criteria.

- The participant's trend of performance over time
- Current contribution to future success
- Relative contribution within the team to future team success
- Absolute level of contribution (performance against objectives)
- Initiative
- Continuous learning
- Long-term strategic thinking

-- Individual incentive allocations must be reviewed and approved by at least two levels of management, the Participant's manager and one level above.

Types of Grants
- ---------------

- After the individual incentive allocations are made, the Final Incentive Amounts are converted into United States dollars.
- The dollar value is then used as a basis to grant Performance Units (Units).
- The dollar value of a Unit for grant purposes is $100.
- A detailed description of Performance Units is in Appendix I.

Unfunded Status
- ---------------

- The Plan is unfunded. A Participant's right to receive payments under the Plan is an unsecured claim against the general assets of the Company. Although the Company may establish a bookkeeping reserve to meet its obligations, any rights acquired by any Participant are no greater than the right of any unsecured general creditor of the Company. References to "Incentive Pools" do not refer to or represent actual, segregated assets of the Company.

Acceleration of Payments

- ------------------------

- The Committee may accelerate the vesting schedule and settle all or any individual Participant's long-term performance units.

Other Benefits
- --------------

- Performance unit grants and payments in respect to those performance units will not be considered as covered compensation when determining any other Company-sponsored benefits (e.g., pension benefits, stock plans).

Termination of Employment
- -------------------------

In the case of termination of LTIP participation due to death, retirement, reduction in force, and long-term disability the following apply:

- A Participant becomes 100% vested in any portion of any grant that has already begun to vest. Performance Units which have not begun to vest are forfeited.

- Vested Performance Units are paid out as soon as practical after termination.

- No new grants are made.

In the case of termination of LTIP participation due to voluntary resignation or involuntary discharge the following apply:

- Performance Units which are not vested are forfeited.

- If an employee resigns or is discharged between the vesting date and payout date, vested Performance Units are payable at the time of regular payout.

Beneficiary Designation
- ----------------------

- As part of the incentive agreement, each Participant shall name a person or persons as the Beneficiary who is to receive any distribution payable under the Plan in the event of the Participant's death. The most recently designated beneficiary will apply to all distributions unless otherwise specified by the Participant. In the event that no Beneficiary has been properly designated, or if no properly designated Beneficiary survives the Participant, the Participant's estate, or other person entitled under applicable law, shall be the Participant's Beneficiary.

Nonassignability
- ---------------

- No Units or other rights granted under or provided by this Plan are assignable or otherwise transferable by holders or Participants, except by will or by the laws of descent and distribution.

Employment Rights
- -----------------

- No provision of the Plan gives anyone the right to remain employed with the Company or to continue to receive future incentive grants. The Company reserves the right to terminate any employee's service at any time, with or without cause.

- A Participant who has committed an act of gross misconduct while an employee of the Company, shall lose all of his or her interest, including any right, under the Plan and shall not be entitled to receive any payment under the Plan.

Amendment, Modification, or Termination of Plan
- ---

- The Committee or its designee(s) may modify, amend, or terminate any or all provisions of the Plan, and establish rules and procedures for its administration, at its discretion and without notice. Any modification made may not cancel out previously granted units.

APPENDIX ONE: PERFORMANCE UNITS
- -------------------------------

Overview
- --------

A Participant receives a grant of Performance Units (Units) based on his or her final long-term incentive amount. The Participant has the right to receive portions of the monetary value of these units beginning in the fourth year after the grant. The value of each Unit is a fixed United States dollar amount. The unit value is based on the Company's achievement of preset, long-term financial performance objectives.

Grant Date
- ----------

- The Grant Date is the date on which the grant cycle begins. The date Units are actually granted to Participants may be earlier, later, or the same date as the Grant Date.

Grant Cycle
- -----------

- The grant cycle has two parts. The first three years of the cycle is the Company performance period. The next two and one-half years is the vesting and payout period.

- Each grant cycle is known by the year in which the cycle begins. For example, a grant made in 1995 is known as the 1995 Grant.

Company Performance Period
- ---

- Company performance is measured over a three-year period for each grant. A new cycle begins each year with each new grant.

- After the Company performance period ends, the Committee declares a final unit value.

Initial Grant Value
- ---

- The initial grant value is determined by converting the final incentive amount into United States dollars. The dollar amount is divided by the initial unit value ($100). The result which is rounded to the nearest whole number is the number of performance units granted.

Performance Unit Dollar Value
- ---

- Performance Units are valued in United States dollars.

- The initial value of each Unit is $100. This value is used to determine the number of Units to grant to participants for each grant cycle.

- During a grant cycle units have a forecasted value which may change over time. A final unit value is determined at the end of the performance cycle based on the Company's financial performance against internal financial measures (ROI) and external measures (relative total shareholder return).

- Final unit values begin as low as zero for below-minimum financial performance. Unit values for above-minimum performance start at $1 and increase with higher levels of financial performance. The maximum unit value is $400. All unit values are subject to Committee approval.

Financial Performance Measures and Objectives
- ---

- The Committee establishes the financial measures that are used to set the Company's financial objectives and assess performance against these objectives.

- These financial performance objectives are set for each grant cycle before the grant date.

- The final unit value is based on the Company's financial performance against objectives measured at the end of the three-year performance cycle.

- Financial measures and objectives are reviewed on a periodic basis and may be modified with the Committee's approval. (The measures and objectives are described in the Financial Performance Measurement Specifications.)

Final Grant Value
- ----------------

- The final grant value is determined by multiplying the number of Units granted in the grant cycle by the final unit value.

- This entire grant is converted into the Participant's local currency just prior to payment of the first third.

Vesting
- -------

- Vesting for the final grant value occurs in three equal installments on the June 1 following the third, fourth, and fifth anniversary of the grant date.

Payments
- --------

- Incentive payments are made as soon as practical after the June 1 vesting. For example, the first portion of the payments from the 1995 grant will be made in June 1998, the second portion in June 1999, and the third portion in June 2000. The second and third portions are credited with interest. The interest is based on the local prime rate of the area where the grant was originally made.

- -- ------------------

Approved By Date

APPENDIX TWO: GLOSSARY OF TERMS
- -------------------------------

- Allocation is the process of distributing Final Incentive Amounts from the Incentive Pool to Participants.

- Business Unit: an organizational unit (Corporate/Global, LSNA, LSI etc.) to which Participants belong and is the basis for AIP funding.

- Company is Levi Strauss Associates Inc. (LSAI) and its subsidiaries.

- Final Incentive Amount is the approved total, including both team and individual components, which is converted into a Performance Unit grant for a Participant.

- Financial Performance Measures are the business objectives set for the Company purpose of determining unit values. The Committee identifies which measures are to be used and establishes the specific objectives to be used for each performance cycle.

- Grant is the conversion of Final Incentive Amounts into Performance Units.

- Incentive Pool is the sum of the target amounts of the Participants within a Work Group, determined after the close of the fiscal year.

- Involuntary Discharge is an involuntary termination of employment with the Company due to violation of policy, misconduct, unsatisfactory job performance or any other reason deemed by the Company to warrant a discharge.

- Long-Term Disability is an authorized leave of absence for an extended period of time following a short-term disability of five consecutive months due to personal illness, injury or disability.

- Participant is an employee who meets the participation criteria of the Plan. Participation criteria is determined on a country-by-country basis.

- Participation Rate is the percentage used to determine a Participant's target amount. A Participation Rate is set for each salary grade level.

- Performance Management Process is the program in which performance objectives are set and measured for individual employees.

- Performance Unit (Unit) is a non-monetary grant with an initial value of $100, whose value may go up or down over time based on the Company's achievement of preset, long-term financial performance objectives.

- Reduction in Force or layoff is an involuntary termination of employment which in the opinion of the Committee, results from the lack of appropriate work for the Participant and is not for the reasons of unacceptable performance or misconduct.

- Retirement is a voluntary termination of employment by an employee who meets the age and service requirement as defined and determined under

the pension plan applicable to the Participant.

- Target Amount is set near the beginning of the fiscal year. It is calculated by multiplying the annual base salary by the Participation Rate.

- Team Component: The portion of the LTIP target which is automatically allocated if the employee receives a YES decision.

- Vesting: Owning the right to the value of Long-term Performance Units that were granted. Vesting occurs in thirds on June 1st following the 3rd, 4th and 5th anniversaries of the grant date. Upon each June 1st vesting date, the participant owns the right to the value of that one third portion of the performance units.

Exhibit 21

SUBSIDIARIES
As of November 27, 1994

Name	State or Country of Incorporation
Levi Strauss Associates Inc.	Delaware
Brittania Sportswear Ltd.	California
Brittsport Limited	Hong Kong
Caliman Company Limited*	Hong Kong
Levi Strauss & Co.	Delaware
Battery Street Enterprises, Inc.	Delaware
Koracorp Industries (Hong Kong) Ltd.*	Hong Kong
Koracorp Management Company, Inc.*	California
LS Reconveyance Corporation	California
Koratron Company, Inc.*	California
MCO, Inc.*	Texas
Jeans Tech, Inc.*	Ohio
Levi Strauss (Budapest) Jeanswear Co. Ltd. (joint venture)	Hungary
Levi Strauss Employee Purchase Plan, Inc.	Arkansas
Levi Strauss Eximco (Asia) Pte. Ltd.	Singapore
Levi Strauss Eximco Chile Limitada	Chile
Levi Strauss Eximco Columbia	Columbia
Levi Strauss Eximco (Ltd.)	Hongkong
Levi Strauss Eximco Europe	Belgium
Levi Strauss Eximco (Hellas) E.P.E.	Greece
Levi Strauss Export Sales Corp.	California
Levi Strauss Foreign Sales Corporation	Barbados
Levi Strauss (Geneva) S.A.	Switzerland
Levi Strauss (Budapest) Jeanswear Co. Ltd.	Hungary
Levi Strauss Japan K.K.	Japan
Levi's Only Stores, Inc.	Delaware
Majestic Insurance International Ltd.	Bermuda
Miratrix, S.A.	Costa Rica
NF Industries, Inc.	Nevada
Vogue Insurance International Ltd.	Bermuda
Wharf Clothiers, Inc.	California
Levi Strauss Associates Inc.	
Levi Strauss & Co.	
Levi Strauss International	California
Creative Apparel Enterprises, S.A.	Belgium
Dockers Germany Vertriebs GmbH	Germany

The Exact Clothing Company*	United Kingdom
Levi Strauss (Asia) Ltd.	Hong Kong
Levi Strauss (Australia) Pty. Ltd.	New South Wales
Levi Strauss Belgium, S.A.	Belgium
Levi Strauss & Co. (Canada), Inc.	Canada
Levi Strauss Chile Limitada	Chile
Levi Strauss Continental, S.A.	Belgium
Levi Strauss & Co. - Europe, S.A.	Belgium
Levi Strauss Financial Services, S.A. (Belgian Finserv or Finserv S.A.)	Belgium
Levi Strauss de Espana, S.A.	Spain
Confecciones Olvega, S.A.	Spain
Levi Strauss (Far East) Ltd.	Hong Kong
Levi Strauss do Brasil Industria e Comercio Ltda.	Brazil
Levi Strauss France, S.A.	France
Levi Strauss Germany GmbH	Germany
Levi Strauss (Hungary) Ltd.	Hungary
Levi Strauss International Finance Company., N.V.	Netherlands Antilles
Levi Strauss Istanbul Konfeksiyon Sanayi ve Ticaret A.S.	Turkey
Levi Strauss Italia Srl	Italy
Levi Strauss Korea	Korea
Levi Strauss Latin America, Inc.	Delaware
Levi Strauss Latin America, Inc. & C.I.A. (Partnership)	Brazil
Levi Strauss (Malaysia) Sdn. Bhd.	Malaysia
Levi Strauss Mauritius	Mauritius
Levi Strauss de Mexico, S.A. de C.V.	Mexico
Levi Strauss Nederland B. V.	Netherlands
Dockers Denmark ApS	Denmark
Dockers Europe B.V.	The Netherlands
Dockers Italy S.R.L.	Italy
Dockers Spain	Spain
Dockers Sweden AB	Sweden
Dockers France S.A.R.L.	France
Dockers Nederland B.V.	The Netherlands
Dockers Norway AS	Norway
Dockers U.K. Limited	United Kingdom
Levi Strauss Hellas, S.A.	Greece
Levi Strauss Poland Z.o.o. (=Ltd.)	Poland
Levi Strauss Prague	Czech Republic
Levi Strauss South Africa (Proprietary) Limited	South Africa
Levi Strauss (New Zealand) Ltd.	New Zealand
Levi Strauss Norway A/S	Norway
Buksehjornet A/S (joint stock company)	Norway
Buva A/S	Norway
Buva Ans A/S (Joint Partnership)	Norway
Levi Strauss Overseas Finance, N.V.	Netherland Antilles

Levi Strauss del Peru S.A.	Peru
Levi Strauss (Philippines) Inc.	Philippines
Levi Strauss (Philippines) Inc. II	Philippines
Levi Strauss (Russia) Ltd.	Russia
Levi Strauss (Singapore) Pte. Ltd.	Singapore
Levi Strauss South Africa	South Africa
Levi Strauss (Suisse) S.A.	Switzerland
Levi Strauss Trading Limited Liability Company	Hungary
Levi Strauss (U.K.) Ltd.	United Kingdom
Levi Strauss de Venezuela, C.A.*	Venezuela
Saddleman South America, Inc.	Delaware
Silvergrove Limited*	Hong Kong
Soumen Levi Strauss OY	Finland

*In process of liquidation

All subsidiaries of the Company are 100% owned (except as noted) and are included in the consolidated financial statements. Indirect subsidiaries are noted by indention.

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Levi Strauss Associates Inc.:

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K into the Company's previously filed Registration Statements on Form S-8, File Nos. 33-40947 and 33-41332.

ARTHUR ANDERSEN LLP

San Francisco, California,
February 22, 1995

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