SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 30, 1999 (Fiscal 1998) Commission File Number 0-15898

DESIGNS, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-2623104
(State or other jurisdiction of incorporation of principal executive offices)	(IRS Employer Identification No.)
66 B Street, Needham, MA	02494
(Address of principal executive offices)	(Zip Code)

(781) 444-7222
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.01 par value
Preferred Stock Purchase Rights
(Title of each Class)

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 (or for such shorter period that the registrant was required to file such reports), 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 the 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 market value of the voting stock of the registrant held by non-affiliates of the registrant, based on the last sales price of such stock on April 28, 1999 was approximately $30.5 million.

The registrant had 15,927,551 shares of Common Stock, $0.01 par value, outstanding as of April 28, 1999.

continued

DOCUMENTS INCORPORATED BY REFERENCE

Form 10-K Requirement		Incorporated Document
Part III		
Item 10	Directors and Executive Officers	All information under the caption "Nominees for Director and Executive Officers" in the Company's definitive Proxy Statement which is expected to be filed within 120 days of the end of the fiscal year ended January 30, 1999.
Item 11	Executive Compensation	All information under the caption "Executive Compensation" in the Company's definitive Proxy Statement which is expected to be filed within 120 days of the end of the fiscal year ended January 30, 1999.
Item 12	Security Ownership of Certain Beneficial Owners	All information under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Company's definitive Proxy Statement which is expected to be filed within 120 days of the end of the fiscal year ended January 30, 1999.
Item 13	Certain Relationships and Related Transactions	All information under the caption "Certain Relationships and Related Transactions" in the Company's definitive Proxy Statement which is expected to be filed within 120 days of the end of the fiscal year ended January 30, 1999.

DESIGNS, INC.

Index to Annual Report on Form 10-K
Year Ended January 30, 1999

PART I.

Item 1. Business

Summary

Designs, Inc. (the "Company) is a specialty retailer based in the United States selling quality branded apparel and accessories. The Company markets a broad selection of Levi Strauss & Co. and other well-known brand merchandise through outlet stores under the names "Levi's(R) Outlet By Designs", "Dockers(R) Outlet by Designs", "Buffalo Jeans(R) Factory Stores" and "Boston Traders(R) Outlet Stores" and through mall-based first quality stores under the names "Designs" and "BTC". Through October 31, 1998, the Company also owned a 70% interest in a partnership that operated, as part of a joint venture (the "Joint Venture") with a subsidiary of Levi's Only Stores, Inc. ("LOS"), stores under the name "Original Levi's Stores(TM)" and outlet stores under the name "Levi's(R) Outlet". The Company uses certain Levi Strauss & Co. trademarks on its Levi's(R) Outlet and Dockers(R) Outlet by Designs stores pursuant to a trademark license agreement with Levi Strauss & Co.

In fiscal year 1998, the Company re-aligned its store portfolio and overhead structure to narrow its business to one focused on the profitable Levi's(R) and Dockers(R) Outlet by Designs stores. The Company's Outlet segment also includes its test of five Buffalo Jeans(R) Factory Stores, launched in August 1998. As part of this re-alignment to primarily an outlet based business, the Company closed eight of the eleven Boston Trading Co.(TM)/BTC(TM) mall stores, and recorded a store closing reserve in the fourth quarter of fiscal 1998 for the remaining three BTC(TM) stores which are planned, barring unforeseen circumstances, to close during the first half of fiscal 1999. In addition, the Company closed 16 Designs stores, and recorded a store closing reserve for the closing of one Designs store that is also planned to close in the first half of fiscal 1999. Further, the Company closed seven Boston Traders(R) Outlet stores, and recorded a store closing reserve for the remaining four Boston Traders(R) outlet stores that are planned, barring unforeseen circumstances, to close by the end of the first half of fiscal 1999.

In conjunction with the Company's decision to focus on its outlet business, the Company purchased 25 Levi's(R) and Docker's(R) outlets from LOS on September 30, 1998. On October 31, 1998, the Company assumed full ownership of the 11 Joint Venture Levi's(R) Outlets stores and began the process of dissolving the Joint Venture. In addition, the Joint Venture distributed three Original Levi's Stores(R) to LOS. The remaining eight Original Levi's Stores(TM) held in the Joint Venture were closed by year-end in connection with the process of dissolving the Joint Venture. The purchase of the 25 Levi's(R) and Docker's(R) Outlets was planned to enable the Company to leverage its existing overhead and expense structure over a larger sales volume, in an effort to produce incremental earnings estimated at $2.8 million and cash flows of $3.6 million on a full year basis.

These strategic actions return Designs Inc. to its' core competency as a single branded outlet operator, with 95 of it's 105 stores devoted exclusively to selling Levi Strauss & Co. brands of apparel and accessories.

On December 7, 1998, a consent with respect to 1,570,200 shares of Common Stock executed on behalf of Jewelcor Management, Inc., a Nevada corporation ("Jewelcor"), and its controlling shareholder, Seymour Holtzman, was delivered to the Company for the purpose of removing and replacing the members of the Company's Board of Directors other than Chairman Stanley I. Berger. A preliminary Consent Solicitation Statement was filed on December 7, 1998 by the Holtzman Group with the Securities and Exchange Commission. On December 11, 1998, the Board of Directors of the Company determined to oppose the consent solicitation (the "Consent Solicitation") by Jewelcor and Mr. Holtzman.

The Consent Solicitation expired without the election of any new members to the Company's Board of Directors. Accordingly, Stanley I. Berger, Joel H. Reichman, James G. Groninger, Melvin I. Shapiro, Peter L. Thigpen and Bernard M. Manuel remained in office as members of the Company's Board of Directors following the termination of the Consent Solicitation.

The Company did not enter into any settlement with Jewelcor or Mr. Holtzman terminating the Consent Solicitation.

On December 11, 1998, the Company announced that its Board of Directors had formed a committee of independent outside directors to consider the Company's strategic alternatives, including a possible sale of the Company.

Store Formats

The Company's Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores are located in outlet parks and shopping centers located primarily in the eastern United States. These stores sell manufacturing overruns, discontinued product, and irregulars purchased directly from Levi Strauss & Co. and its licensees. In addition, these stores also sell end-of-season Levi's(R) and Dockers(R) merchandise transferred from Designs and BTC(TM) stores. In Fiscal 1998, 5% of the inventory receipts for these stores were transferred from the Designs and BTC(TM) stores.

Many of the manufacturers' outlet parks and shopping centers in which Levi's(R) Outlet by Designs stores are located have matured, resulting in limited year-to-year increases in customer traffic. The combination of this maturing outlet store base, increased competition, and a limited merchandise mix of Levi's(R) and Dockers(R) brand products resulted in unsatisfactory comparable store performance in fiscal years 1997 and 1998.

The five Designs stores that are expected to remain open in fiscal 1999 are located in enclosed regional shopping centers and offer a broad selection of Levi Strauss & Co. brands of merchandise, supplemented by additional brand names where appropriate. The Company currently plans, barring unforeseen circumstances, to carry a selection of Levi Strauss & Co brand

products in these stores equal to approximately 70% of the merchandise mix. The Company's strategy in these stores is to continue selling Levi Strauss & Co. brands and complementary brands of tops and bottoms. The leases for two of these five stores expire at the end of fiscal 1999.

Buffalo Jeans(R) Factory Stores, which operate in outlet parks on the eastern seaboard, sell close-out and in-season Mens and Womens apparel under the Buffalo Jeans(R) brand name at 30% off of regular retail prices. The Buffalo Jeans(R) brand is currently sold in leading department stores and, as of today, seems not to be subject to wide-spread discounting in its first quality distribution channels. The Buffalo Jeans(R) line, which consists of jeans, tops, dresses, skirts and outerwear, is focused predominantly on the junior customer, with some basic jeans and tops designed to appeal to a broad spectrum of customers. The Company believes that the Buffalo Jeans(R) Factory Stores represent an opportunity to capitalize on the current growth in teen fashion in the lower occupancy cost outlet channel.

Management believes that the Company competes with other apparel retailers by offering quality merchandise, knowledgeable in-store service and competitive price points. The Company stresses product training with its sales staff and, with the assistance of Levi Strauss & Co. and merchandise materials supplied by other brands sold in the Designs stores, provides its sales personnel with substantial product knowledge training across all branded product lines.

The following table provides a summary of the number of stores in operation at year end for the past three fiscal years. Levi Strauss & Co. approves all new outlet store locations which carry Levi Strauss & Co. brands and use any trademark owned by Levi Strauss & Co.

	January 30, 1999	January 31, 1998	February 1, 1997
Levi's(R) Outlet by Designs	59	59	59
Levi's(R) Outlet previously operated by the Joint Venture (1)	11	-	
Levi's(R) Outlet stores acquired (2)	9	-	
Dockers(R) Outlet stores acquired (2)	16	-	
Buffalo Jeans(R) Factory Stores	5		
Boston Trading Co.(R) (3)	3	11	
Designs/BTC(TM) (3)	6	22	44
Boston Traders(R) outlet stores (3)	4	12	27
Joint Venture: (1)			
Original Levi's Stores(R)	-	11	11
Levi's(R) Outlets	-	11	10
Sub-total	113	126	151
Stores planned to close in fiscal 1999 (4)	(8)		
Total stores	105		

(1) In Fiscal 1998, the Company and Levi Strauss & Co. agreed to dissolve and wind up the Joint Venture between subsidiaries of the two companies. As part of the dissolution process, on October 31, 1998, the Joint Venture distributed 11 Levi's(R) Outlet stores to the Company and three Original Levi's Stores(R) to Levi's Only Stores, Inc., a wholly-owned subsidiary of Levi Strauss & Co. The remaining eight Original Levi's Stores(R) were closed by the end of fiscal 1998.

(2) On September 30, 1998, the Company acquired from Levi's Only Stores, Inc. 16 Dockers(R) Outlet stores and nine Levi's(R) Outlet stores for approximately $9.7 million.

(3) In Fiscal 1998, the Company closed 38 stores as part of the Company's store closing programs. Five Boston Traders(R) outlet stores were converted to Buffalo Jeans(R) Factory Stores throughout fiscal 1998. In fiscal 1997, the Company closed 16 Designs stores and 15 Boston Traders(R) outlet stores.

(4) In the fourth quarter of fiscal 1998, the Company established reserves to close four Boston Traders(R) outlet stores, three Boston Trading Co.(R) stores and one Designs store.

On January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company, and a subsidiary of Levi's Only Stores Inc. ("LOS"), a wholly-owned subsidiary of Levi Strauss & Co., entered into a partnership agreement (the "Partnership Agreement") to sell Levi's(R) brand jeans and jeans-related products. The joint venture that was established by the Partnership Agreement is known as The Designs/OLS Partnership (the "OLS Partnership"). In the third quarter of fiscal 1998, the Company and Levi Strauss & Co. agreed to dissolve and wind up the joint venture between subsidiaries of the two companies. As part of the dissolution process, on October 31, 1998, the OLS Partnership distributed 11 Levi's(R) Outlet stores to the Company with a net book value of approximately $6.4 million. In addition, the OLS Partnership distributed to LOS three Original Levi's Stores(R) located in New York City and Boston, Massachusetts with a net book value of $5.5 million. The remaining eight Original Levi's Stores(R) owned by the OLS Partnership were closed during the fourth quarter of fiscal 1998.

The Company's present plans for expansion in fiscal 1999 include the recent opening of three new Levi's(R)/Dockers(R) Outlet by Designs stores and relocating seven existing Levi's(R) Outlet by Designs stores to new outlet centers in the Eastern United States. All ten of these new stores are presently planned to be built in the Company's new outlet store format, which features a combined Dockers(R) Outlet by Designs store and Levi's(R) Outlet by Designs store that separately displays each brand in its own unique environment. In fiscal 1999, capital expenditures related to these new stores are expected, barring unforeseen circumstances, to total approximately $1.7 million. The Company continually evaluates the performance of all of its stores and may, from time to time, decide to close or reduce the size of certain store locations.

Customer Base

In the Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores, the Company believes that its customer base primarily reflects that of the Levi's(R) and Dockers(R) brand customer. These stores also continue to attract foreign travelers shopping for Levi's(R), Dockers(R) and Slates(R) brand apparel and accessories. The Company's product selection offered in these stores is designed to satisfy the casual apparel needs of customers in all age groups and income brackets.

Merchandising and Distribution

In its Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores, the Company offers a selection of Levi Strauss & Co. brands of merchandise including manufacturing overruns, discontinued lines and irregulars purchased by the Company directly from Levi Strauss & Co. and end-of-season merchandise transferred from the Designs and BTC(TM) stores. The Company continues to evaluate and act upon opportunities to purchase substantial quantities of Levi Strauss & Co. brand merchandise offered to the Company by Levi Strauss & Co. for sale in the Levi's(R) and Dockers(R) Outlet by Designs stores.

All merchandising decisions, including pricing, markdowns, advertising and promotional campaigns, inventory purchases and merchandise allocations, are made centrally at the Company's headquarters with input from field operations personnel.

Trademarks

The Company is the owner of the "Boston Traders(R)" trademark and certain other trademarks acquired as part of the acquisition of certain assets of Boston Trading Ltd., Inc.

"Dockers(R)," "Levi's(R)" and "Slates(R)" are registered trademarks of Levi Strauss & Co. Buffalo Jeans(R) is a registered trademark of Buffalo DeFrance.

Store Operations

The Company currently employs one Vice President and Director of Store Operations who reports directly to the President of the Company. Two Regional Vice Presidents, who report to the Vice President and Director of Store Operations, are responsible for the operations and profitability of stores within specific geographic regions. All three of these Vice Presidents have over 15 years of service with the Company.

In order to provide management development and guidance to individual store managers, the Company employs approximately 15 district managers, having an average employment period of 6.5 years. Each district manager is responsible for hiring and developing store managers at the stores assigned to that district manager's area and for the sales and overall profitability of those stores. District managers report directly to a Regional Vice President.

Designs and BTC(TM) stores average approximately 6,100 square feet in size and are located in enclosed regional shopping malls usually anchored by department stores. Levi's(R) Outlet by Designs stores are located in manufacturers' outlet parks and destination shopping centers and average approximately 12,000 square feet in size. The average square footage of the 25 acquired Dockers(R) and Levi's(R) Outlet stores and the 11 Levi's(R) Outlet stores that were distributed to the Company from the Joint Venture is approximately 5,200 square feet.

The Company's stores utilize interior design and merchandise layout plans designed by the Company's visual merchandising team, which plans are specifically designed to promote customer identification of the store as a specialty store selling quality branded apparel and accessories. The merchandise layout is further customized by store management and the Company's visual merchandising department to suit each particular store location. The Dockers(R) and Levi's(R) Outlet by Designs stores prominently display Levi's(R) and Dockers(R) brand logos and utilize distinctive promotional displays. The Company uses certain Levi Strauss & Co. logos and trademarks on store signs with the permission of Levi Strauss & Co.

Customer Service & Training

"Designs University" was established in fiscal 1996 to implement associate training and development programs throughout the organization. The Company's Operational Support and Development team is responsible for developing and teaching creative programs that will enhance associate performance.

Sales Associate expectations are established at all levels of training, beginning with the Sales Associate Development Program. This program introduces the associate to the Company's operational policies, product information and customer service objectives. Through this program, associates are taught that servicing the customer is the highest priority. Management believes that Sales Associates are trained to accomplish the goal of reinforcing the customer's perception of the Company's stores as branded outlet and specialty stores and of differentiating its stores from those of the Company's competitors.

All members of store management participate in the Store Management Development Program. Associates learn how to perform critical management functions required to successfully operate a store. The Store Management Development Program focuses on fundamental operational procedures, expense control and personnel management. The store management team is responsible for all operational matters in the store, including the hiring and training of sales associates

Designs, BTC(TM) and Buffalo Jeans(R) Factory Stores each employ approximately 10 associates. Each Levi's(R) and Dockers(R) Outlet by Designs store employs approximately 30 associates. Store staffing typically includes a store manager, one or more assistant managers and shift supervisors, and a team of full-time and part-time sales associates. Store manager candidates or assistant manager candidates may also be included on the team in specific stores.

Information Systems

The Company believes that management information systems are an important factor in the continued growth of the Company. The Company continues to devote significant resources to the development of information systems, which are intended to enable the Company centrally to maintain inventory, pricing and other financial controls. During fiscal 1998, the Company upgraded its JDA merchandise management software to a new Year 2000 compliant version. This software is designed to enhance the analytical capabilities of the Company's merchandise and financial functions and to provide an integrated business approach to the financial and merchandising systems. During fiscal 1999, the Company will install a new point of sale system that has been designed to be Year 2000 compliant. Point of sale data, in conjunction with a full complement of EDI transactions handling invoicing, advanced shipment notices and purchase orders are the primary sources of data input for the merchandise management package. During fiscal 1999, the Company also expects to revamp its store and processing center receiving processes and install electronic scanning for receiving in all stores.

The Company makes use of software systems supporting vendor managed replenishment for core merchandise. These processes utilize available sales and inventory data to react to the individual needs of each store on a timely basis. Presently, only Levi Strauss & Co. is providing vendor managed replenishment to the Company.

The Company's status regarding Year 2000 readiness is discussed more fully below. See Management's Discussion and Analysis.

Advertising

The Company relies on the visibility and recognition of the Levi's(R) and Dockers(R) brand names, as well as the natural flow of traffic that results from locating stores in areas of high retail activity including destination outlet centers and regional malls. Historically, the Company has received co-operative advertising allowances from Levi Strauss & Co. that fund a substantial portion of the Company's advertising expenditures. In fiscal 1998 the Company received allowances totaling approximately 36% of its advertising expenditures. The cooperative advertising allowances associated with the Company's advertising will fluctuate in proportion to amounts of regularly priced Levi Strauss & Co. brand products purchased and Levi Strauss & Co.'s cooperative advertising policies.

Competition

The United States casual apparel market is highly competitive with many national and regional department stores, specialty apparel retailers and discount stores offering a broad range of apparel products similar to those sold by the Company. The Company considers any casual apparel manufacturer operating in outlet parks throughout the United States competitors in the casual apparel market.

A majority of the Company's business involves the sale of branded apparel and accessories sold by or manufactured under license from Levi Strauss & Co. in an outlet mall environment. Levi Strauss & Co. is involved in the highly competitive fashion apparel industry. Levi's(R) brand jeans have been impacted by the increased competition from private label as well as fashion jeans market entrants, plus national sales trends of Levi's(R) brand products.

Employees

As of January 30, 1999, the Company employed approximately 1,800 associates, of whom 600 were full-time personnel. The Company hires additional temporary employees during the peak late summer and holiday seasons.

All qualified full-time employees are entitled, when eligible, to life, medical, disability and dental insurance and to participate in the Company's 401(k) retirement savings plan. Store managers, district managers and vice presidents are eligible to receive incentive compensation subject to the achievement of specific performance objectives related primarily to sales and profitability. Vice Presidents and District Managers are also entitled to use an automobile provided by the Company or to receive an automobile allowance. Sales personnel are compensated on an hourly basis and, generally, receive no commissions; but from time to time are eligible to earn sales incentive payments from sales contests. Vice Presidents, certain District and store managers and certain other employees, have been granted stock options. None of the Company's employees are represented by a union.

Item 2. Properties

As of January 30, 1999, the Company operated 95 Levi's(R) Outlet and Dockers(R) Outlet by Designs stores, five Buffalo Jeans(R) Factory Outlet stores, nine Designs and BTC(TM) stores and four Boston Traders(R) outlet stores. All such stores are leased by the Company directly from shopping mall and outlet park owners. Designs and BTC(TM) store leases are generally ten years in length with no renewal options. Outlet store leases are usually for a series of shorter periods and certain leases contain renewal options extending their terms to between 10 and 15 years. Most of the Company's outlet store leases provide for annual rent based on a percentage of store sales, subject to guaranteed minimum amounts.

Sites for store expansion are selected on the basis of several factors intended to maximize the exposure of each store to the Company's target customers. These factors include the demographic profile of the area in which the site is located, the types of stores and other retailers in the area, the location of the store within the mall and the attractiveness of the store layout. The Company also utilizes financial models to project the profitability of each location using assumptions such as mall sales per square foot averages, estimated occupancy costs and return on investment requirements. The Company believes that its selection of locations enables the Company's outlet and mall stores to attract customers from the general shopping traffic and to generate its own customers from surrounding areas.

The lease for the Company's headquarters office, which began in November 1995, is for a period of ten years. The lease provides for the Company to pay all occupancy costs associated with the land and the 80,000 square foot building. The Company entered into an agreement, effective April 1, 1998, to sublease approximately 15,000 square feet to a sublessee for a term of five to eight years. The Company also entered into a second agreement effective July 1, 1998 to sublease an additional 15,300 square feet to a sublessee for a term of five to seven years. The Company leases two warehouse facilities to receive and distribute merchandise for all of the Company's store locations.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Capital Expenditures."

Item 3. Legal Proceedings

The Company is a party to litigation and claims arising in the course of its business. Management does not expect the results of these actions to have a material adverse effect on the Company's business or financial condition.

In January 1998 Atlantic Harbor, Inc. filed a lawsuit against the Company for failing to pay the outstanding principal amount of the Purchase Note. In March 1998 the Company filed a counterclaim against Atlantic Harbor, Inc. alleging that the Company was damaged in excess of $1 million because of the breach of certain representations and warranties made by Atlantic Harbor, Inc. and its stockholders concerning the existence and condition of certain foreign trademark registrations and license agreements. Barring unforeseen circumstances, management of the Company does not believe that the result of this litigation will have a material adverse effect on the Company's results of operations or financial position.

Item 4. Submission of Matters to a Vote of Security Holders

On December 7, 1998, a consent with respect to 1,570,200 shares of Common Stock executed on behalf of Jewelcor Management, Inc., a Nevada corporation ("Jewelcor"), and its controlling shareholder, Seymour Holtzman, was delivered to the Company for the purpose of removing and replacing the members of the Company's Board of Directors other than Chairman Stanley I. Berger. A preliminary Consent Solicitation Statement was filed on December 7, 1998 by the Holtzman Group with the Securities and Exchange Commission. On December 11, 1998, the Board of Directors of the Company determined to oppose the consent solicitation (the "Consent Solicitation") by Jewelcor and Mr. Holtzman.

The Consent Solicitation expired without the election of any new members to the Company's Board of Directors. Accordingly, Stanley I. Berger, Joel H. Reichman, James G. Groninger, Melvin I. Shapiro, Peter L. Thigpen and Bernard M. Manuel remained in office as members of the Company's Board of Directors following the termination of the Consent Solicitation.

The Company did not enter into any settlement with Jewelcor or Mr. Holtzman terminating the Consent Solicitation.

PART II.

Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters

The Company's Common Stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol "DESI."

The following table sets forth, for the periods indicated, the high and low per share sales prices for the Common Stock, as reported on the Nasdaq consolidated reporting system.

Fiscal Year Ending January 30, 1999	High	Low
First Quarter	2 3/4	1 7/8
Second Quarter	2 1/8	1 1/8
Third Quarter	2 1/32	1 11/32
Fourth Quarter	2 13/16	5/8

Fiscal Year Ending January 31, 1998	High	Low
First Quarter	6 5/8	4 1/4
Second Quarter	5 1/4	4
Third Quarter	5 1/8	3 3/4
Fourth Quarter	4 1/2	2 1/16

As of April 28, 1999, based upon data provided by independent shareholder communication services and the transfer agent for the common stock, there were approximately 377 holders of record of common stock and 5677 beneficial holders of common stock.

The Company currently pays no cash dividends on its Common Stock. For a description of financial covenants in the Company's loan agreement that may restrict dividend payments, see Note D of Notes to Consolidated Financial Statements.

Item 6. Selected Financial Data

	Fiscal Years Ended (1)				
	January 30, 1999	January 31, 1998	February 1, 1997	February 3, 1996	January 28, 1995
	(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)				
INCOME STATEMENT DATA:					
Sales	$ 201,634	$ 265,726	$ 289,593	$ 301,074	$ 265,910
Gross profit, net of occupancy costs	42,249	38,358(3)	86,229	89,085	84,126
Pre-tax income (loss)	(30,962)(2)	(46,885)(3)	10,859	16,940(4)	28,399(4)
Net Income (loss)	(18,541)	(29,063)	6,254	9,773	16,903
Earnings pershare- basic	$ (1.17)	$ (1.86)	$ 0.40	$ 0.62	$ 1.06
Earnings pershare- diluted	$ (1.17)	$ (1.86)	$ 0.40	$ 0.61	$ 1.05
Weighted average shares outstanding for earnings per share -basic	15,810	15,649	15,755	15,770	15,914
Weighted average shares outstanding for earnings pershare -diluted	15,810	15,649	15,833	15,898	16,121
BALANCE SHEET DATA:					
Working capital	$ 24,078	$ 42,104	$ 72,320	$ 64,557	$ 55,725
Inventories	57,925	54,972	79,958	58,008	52,649
Property and equipment, net	17,788	35,307	39,216	36,083	26,503
Total assets	99,317	116,399	141,760	132,649	127,295
Long-term debt (5)	1,000	1,000	1,000	1,000	--
Shareholders' equity	63,956	82,380	111,045	106,085	95,702
OPERATING DATA:					
Net sales per square foot	$ 187	$ 220	$ 234	$ 265	$ 256
Number of stores open at fiscal year end	113	126	151	157	120

(1) The Company's fiscal year is a 52 or 53 week period ending on the Saturday closest to January 31. The fiscal year ended February 3, 1996 covered 53 weeks.

(2) Pre-tax loss for fiscal 1998 includes the $13.4 million charge taken in the third quarter related to closing 30 unprofitable stores. Also included in the pre-tax loss for fiscal 1998 is the $5.2 million charge related to the closing of one Designs store, three BTC(TM) stores and four Boston Traders(R) outlet stores, all eight of which are expected to be closed by the end of the first quarter of fiscal 1999. In addition, the Company recognized $2.9 million in restructuring income in the fourth quarter which was the result of favorable lease negotiations associated with the original estimated $13.4 million charge.

(3) Pre-tax loss for fiscal 1997 includes the $20 million charge taken in the second quarter related to the Company's strategy shift and the fourth quarter charge of $1.6 million for the Company's reduction in work force. Of the $20 million charge, $13.9 million or 5.2% of sales, is reflected in gross margin.

(4) Includes $2.2 million and $3.2 million of non-recurring income related to the fiscal 1993 restructuring program recognized in the fiscal years ended February 3, 1996 and January 28, 1995, respectively.

(5) Includes current portion of long-term debt. Fiscal 1998, 1997, 1996 and 1995 include a $1 million promissory note issued in conjunction with the acquisition of certain assets of Boston Trading Ltd., Inc. on May 2, 1995.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table provides a five-year history of the total sales results of the Company, together with a summary of the number of stores in operation and the change in the Company's comparable store sales. "Changes in comparable store sales" measures the percentage change in sales in comparable stores, which are those stores open for at least one full fiscal year.

	FISCAL YEARS ENDED (1)				
	Jan. 30, 1999 (Fiscal 1998)	Jan. 31, 1998 (Fiscal 1997)	Feb.1, 1997 (Fiscal 1996)	Feb. 3, 1996 (Fiscal 1995)	Jan. 28, 1995 (Fiscal 1994)
Total Sales (In Thousands)	$ 201,634	$ 265,726	$ 289,593	$ 301,074	$ 265,910
Number of stores in operation at end of the fiscal year:					
Store Type					
Designs and BTC(TM)	9	22	44	49	51
Levi's(R) Outlet and Dockers(R) Outlet by Designs(2)	95	58	58	58	61
Buffalo Jeans(R) Factory Stores	5	--	--	--	--
Boston Trading Co.(R)	--	11			
Boston Traders(R) outlets	4	12	27	35	--
Joint Venture:					
Original Levi's Stores(R)(2)	--	11	11	11	8
Levi's(R) Outlet stores(2)	--	11	10	4	
Total stores	113	125	150	157	120
Comparable stores	80	112	142	97	91
Changes in total sales	(24%)	(8%)	(4%)	13%	10%
Changes in comparable store sales	(18%)	(10%)	(5%)	0.5%	(5%)

(1) The Company's fiscal year is a 52 or 53 week period ending on the Saturday closest to January 31. The fiscal year ended February 3, 1996 covered 53 weeks. Comparable store sales for fiscal 1996 were based upon 52-week comparisons.

(2) During the third quarter of fiscal 1998, the Company and Levi Strauss & Co. agreed to dissolve and wind up the Joint Venture between subsidiaries of the two companies. As part of the dissolution process, on October 31, 1998, the Joint Venture distributed 11 Levi's(R) Outlet stores to the Company and three Original Levi's Stores(R) to Levi's Only Stores, Inc., a wholly-owned subsidiary of Levi Strauss & Co. The remaining eight Original Levi's Stores(R) owned by the Joint Venture were closed by the end of fiscal 1998. On September 30, 1998, the Company acquired from Levi's Only Stores, Inc. 16 Dockers(R) Outlet stores and nine Levi's(R) Outlet stores.

RESULTS OF OPERATIONS

OUTLET STORE EXPANSION, JOINT VENTURE WIND UP AND UNPROFITABLE STORE CLOSINGS

During fiscal 1998, the Company completed the following transactions that narrowed the Company's business to one focused on its Levi's(R) and Dockers(R) Outlet by Designs Stores.

On September 30, 1998, the Company purchased 16 Dockers(R) Outlet stores and nine Levi's(R) Outlet stores from a subsidiary of Levi Strauss & Co. for approximately $9.7 million. These 25 stores have generated $7.7 million in sales for the four month period ended January 30, 1999. The Company believes, barring unforeseen circumstances, that this group of stores will produce approximately $2.8 million in earnings and $3.6 million in cash flow in fiscal 1999. The acquisition included the purchase of $5.1 million of inventory and $4.6 million of fixed assets associated with these stores. The Company also assumed the real estate leases associated with these stores. The Company sees opportunities to improve the performance of the 25 stores as these stores are integrated into its existing store operations, thereby leveraging the Company's existing outlet store infrastructure in areas such as store operating and payroll expenses.

Also during the third quarter of fiscal 1998, the Company and Levi Strauss & Co. agreed to dissolve and wind up the Joint Venture between subsidiaries of the two companies (the "OLS Partnership"). As part of the dissolution process, on October 31, 1998, the joint venture distributed 11 Levi's(R) Outlet stores to the Company with a net book value of approximately $6.4 million. The 11 Levi's(R) Outlet stores generated a total of approximately $751,000 in earnings and $1.3 million in cash flow throughout all of fiscal year 1998. The Company believes, barring unforeseen circumstances, that this group of stores will produce approximately $1.0 million in earnings and $1.5 million in cash flow in fiscal 1999. Since the Company previously owned only a 70% interest in these stores, the only pro-forma adjustment for future earnings is the additional 30% of earnings and cash flow that will be derived from these stores, which are now wholly-owned by the Company.

In addition, the Joint Venture distributed to LDJV Inc., a subsidiary of Levi's Only Stores, Inc., three Original Levi's Stores(R) located in New York City and Boston, Massachusetts. The net book value of these distributed stores was approximately $5.5 million, which was greater than LDJV Inc.'s equity ownership in the Joint Venture. Consequently, LDJV Inc. made a $2.9 million capital contribution to the Joint Venture on October 31, 1998. These three Original Levi's Stores(TM) represented approximately $20 million in sales annually. These stores had annual earnings and cash flows of approximately $1.9 million and $3.0 million, respectively, of which the Company's 70% interest in these stores was approximately $1.3 million and $2.1 million, respectively.

As part of the termination of its operations, the Joint Venture closed eight remaining Original Levi's Stores(R) through negotiated lease terminations and expirations. The Joint Venture recorded a charge in connection with these store closings, which is discussed below. The Company anticipates that the Joint Venture will have sufficient cash to satisfy its remaining obligations. However, if the Joint Venture does not have sufficient cash to pay its obligations, the Company would be required to contribute additional funds in proportion to its 70% partnership interest.

During the third quarter of fiscal 1998, the Company also announced its plans to close 14 unprofitable Designs stores and eight unprofitable Boston Trading Co.(R)/BTC(TM) stores through lease terminations and expirations. This store closing strategy resulted in the Company recording a pre-tax charge of $13.4 million, or $0.47 per share after tax, related to the closing of 14 Designs stores, eight Boston Trading Co.(R)/BTC(TM) and the eight Original Levi's Stores(R) owned by the Joint Venture. The total revised estimated cost to close these stores is $10.5 million, which is $2.9 million less than the original charge, primarily due to favorable landlord negotiations on lease termination payments. As a result, the Company recognized pre-tax income of $2.9 million, or $0.06 per share, in the fourth quarter of fiscal 1998. Total estimated cash costs are $4.2 million related to lease terminations, employee severance and other related expenses. The remainder of the $10.5 million charge consists of non-cash costs of approximately $6.3 million in store fixed asset write-offs. All of these stores were closed by the end of fiscal 1998. At January 30, 1999, the remaining reserve balance related to these store closings is $1.9 million which primarily relates to landlord settlements and severance payments that will be paid in fiscal 1999.

During the fourth quarter of fiscal 1998, the Company recorded additional store closing and severance reserves of $5.2 million, or $0.20 per share, related to the decision to close three BTC(TM) mall stores, one Designs mall store, and four Boston Traders(R) Outlet stores and to further reduce corporate headcount. This pre-tax charge included cash costs of approximately $2.9 million related to lease terminations and corporate severance, and $2.3 million of non-cash costs related to store fixed asset write-offs and markdowns.

The combined earnings and cash flow benefits of these third and fourth quarter charges are expected, barring unforeseen circumstances, to be $8.5 million and $13.8 million, respectively, for each of the fiscal years 1999 and 2000.

On October 31, 1998 the Company and Levi Strauss & Co. amended the trademark license agreement (as amended, the "Outlet License Agreement") that authorizes the Company to use certain Levi Strauss & Co. trademarks in connection with the operation of the Company's Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores in 25 states in the eastern portion of the United States. Subject to certain default provisions, the term of the Outlet License Agreement was extended to September 30, 2004, and the license for any particular store is the period co-terminous with the lease term for such store (including extension options).The Outlet License Agreement now provides that the Company has the opportunity to extend the term of the license associated with one or more of the Company's older Levi's(R) Outlet by Designs stores by either renovating the store or replacing the store with a new store with an updated format and fixturing. In order to extend the license associated with each of the Company's 59 older outlet stores, the Company must, subject to certain grace periods, complete these renovations or the construction of replacement stores by December 31, 2004. As leases expire, the Company may lose the right to use the Levi's(R) trademark in connection with certain Levi's(R) Outlet by Designs stores unless the store is either renovated or replaced as described above. At January 30, 1999, the average remaining lease term (including extension options) of the Company's Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores was approximately 9.5 years.

The Company, with the approval of Levi Strauss & Co., initiated a program to remodel or replace its 59 oldest Levi's(R) Outlet by Designs stores beginning in fiscal 1998. The Company intends, barring unforseen circumstances, to move, remodel or replace these stores over the next five years beginning in fiscal 1999. To date, the Company has closed one of its older 59 Levi's(R) Outlet by Designs stores and opened three new Levi's(R)/Dockers(R) Outlet by Designs stores.

Recent Developments

On December 7, 1998, a consent with respect to 1,570,200 shares of Common Stock executed on behalf of Jewelcor Management, Inc., a Nevada corporation ("Jewelcor"), and its controlling shareholder, Seymour Holtzman, was delivered to the Company for the purpose of removing and replacing the members of the Company's Board of Directors other than Chairman Stanley I. Berger. A preliminary Consent Solicitation Statement was filed on December 7, 1998 by the Holtzman Group with the Securities and Exchange Commission. On December 11, 1998, the Board of Directors of the Company determined to oppose the consent solicitation (the "Consent Solicitation") by Jewelcor and Mr. Holtzman.

The Consent Solicitation expired without the election of any new members to the Company's Board of Directors. Accordingly, Stanley I. Berger, Joel H. Reichman, James G. Groninger, Melvin I. Shapiro, Peter L. Thigpen and Bernard M. Manuel remained in office as members of the Company's Board of Directors following the termination of the Consent Solicitation.

The Company did not enter into any settlement with Jewelcor or Mr. Holtzman terminating the Consent Solicitation.

On December 11, 1998, the Company announced that its Board of Directors had formed a committee of independent outside directors to consider the Company's strategic alternatives, including a possible sale of the Company, with a view towards maximizing shareholder value in the near term.

SALES

Set forth below is the Company's total sales and comparable store sales for fiscal 1998, 1997 and 1996. Of the 113 stores the Company operated as of January 30, 1999, 80 were comparable stores.

(in thousands)	Fiscal 1998	Percentage Change	Fiscal 1997	Percentage Change	Fiscal 1996
Outlet store segment	$ 153,581	(13.4%)	$ 177,326	(9.1%)	$ 195,110
Specialty store segment	8,718	(14.0%)	10,141	(4.7%)	10,645
Closed and other segment(1)	39,335	(49.7%)	78,259	(6.7%)	83,838
Total Sales	$ 201,634		$ 265,726		$ 289,593
Change in Total Sales	(24%)		(8%)		(4%)
Change in Comp Sales	(18%)		(10%)		(5%)

(1) Includes all stores closed as part of the Company's store closing programs in fiscal 1998 and 1997 and the eight stores that the Company expects to close during fiscal 1999, see discussion above.

The decrease in sales in fiscal 1998 was due to an 18% decrease in comparable store sales and 37 store closings, partially offset by sales from the 25 acquired Levi's(R) and Dockers(R) outlet stores. The decrease in sales in fiscal 1997 was due to a 10% decrease in comparable store sales and 31 store closings, partially offset by sales from new stores that were opened during the fiscal year. Comparable store sales decreases in fiscal 1998 and 1997 were due primarily to lower sales in men's Levi's(R) brand jeans and tops associated with limited merchandise mix and reduced demand for Levi's(R) brand product. These sales decreases were partially offset by increased sales of women's Levi's(R) brand jeans and men's and women's Dockers(R) brand apparel. Based on current sales trends and merchandise commitments, the Company anticipates an increase in comparable store sales for fiscal 1999.

GROSS MARGIN

Set forth below are gross margin dollars and gross margin rates as a percentage of total sales for the fiscal years 1998, 1997 and 1996.

	Fiscal 1998		Fiscal 1997		Fiscal 1996	
(in thousands)	Dollars	Percentage of sales	Dollars	Percentage of sales	Dollars	Percentage of sales
Merchandise margin	$ 76,076	37.7%	$ 78,608	29.6%	$124,550	43.0%
Occupancy costs	(33,827)	(16.8%)	(40,250)	(15.2%)	(38,321)	(13.2%)
Gross margin	$ 42,249	20.9%	$ 38,358	14.4%	$ 86,229	29.8%

The improved merchandise margin in fiscal 1998 as compared to fiscal 1997 is due to the shift in the Company's store portfolio away from lower margin mall-based stores towards the traditionally higher margin outlet store operations and approximately an $800,000 benefit from LIFO. Included in gross margin for fiscal 1998 is approximately $800,000 for markdowns associated with the closing of eight additional stores, which was discussed above. The decrease in fiscal 1997 merchandise margin was primarily attributable to a $13.9 million charge for markdowns and fabric cancellation costs related to Boston Traders(R) brand merchandise which was included in the second quarter charge for the termination of the Company's private label product development program, discussed below under "Restructuring"; approximately $5.6 million related to fourth quarter adjustments for inventory shrinkage against physical inventory results and reserves against pending resolution of vendor discussions regarding proof of delivery of certain goods and increases in promotional markdowns associated with Levi's(R) brand products in fiscal 1997. The Company experienced decreases in initial margin on certain Levi's(R) brand merchandise in fiscal 1998 and 1997 as compared to fiscal 1996.

Occupancy costs as a percentage of sales continued to increase in fiscal 1998 as compared to fiscal 1997 and 1996, as a result of fixed occupancy costs on a lower sales base due to comparable store sales decreases.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses as a percentage of sales were 23.8% or $48.0 million in fiscal 1998, 24.7% or $65.7 million in fiscal 1997 and 22.8% or $66.0 million in fiscal 1996. The decrease in selling, general and administrative expenses as a percentage of sales in fiscal 1998 was due to reduced store payroll expense from lower staffing in response to sales decreases. Also contributing to this decrease was a series of expense reduction actions started in fiscal 1997 that continue. In fiscal 1998, the Company incurred expenses in connection with the consent solicitation discussed above. In fiscal 1997, expenses on a dollar basis decreased slightly by $0.3 million as compared to fiscal 1996 as a result of the Company's cost reduction efforts that were initiated in fiscal 1997. Also in fiscal 1997, the Company recorded an impairment charge of $378,000 in accordance with Statement of Financial Accounting Standards No. 121, ("SFAS 121")"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This charge reflects the estimated unrecoverable carrying value of a store's assets as compared to the fair value of those assets based on projected discounted future cash flows. In the fourth quarter of fiscal 1998, the Company recorded a fourth quarter charge that included $260,000 related to a further reduction of corporate headcount.

FISCAL 1997 RESTRUCTURING

In the second quarter of fiscal 1997, the Company recorded a pre-tax charge of $20 million related to its shift in strategy away from the vertically integrated Boston Traders(R) private label concept to a strategy with greater emphasis on name brands. This decision involved the liquidation of Boston Traders(R) brand products, the closure of the Company's New York City product development office and the closure of 17 Designs and 16 Boston Traders(R) Outlet stores. Total actual costs to close related to this shift in strategy and the closure of the stores were $19.9 million, which included cash costs of $6.0 million related to lease terminations, the cost of canceling private label fabric commitments, severance associated with the closing of the New York office, and other miscellaneous expenses. The remainder of the $19.9 million charge consisted of non-cash costs of approximately $13.9 million, which included $12.4 million of markdowns at cost related to the liquidation of Boston Traders(R) brand product and $1.5 million for write-offs of store fixed assets. Merchandise markdowns and costs associated with the cancellation of fabric

commitments, which total approximately $13.9 million, were accounted for in cost of goods sold for the fiscal year ending January 31, 1998. The remaining amounts related to lease termination costs, asset impairment charges, severance and other costs, were accounted for in the restructuring charge in the Company's Consolidated Statements of Operations for the year ending January 31, 1998.

In the fourth quarter of fiscal year 1997, the Company incurred an additional pre-tax charge of $1.6 million relating primarily to severance, benefits and other costs associated with a reduction in its home office and field staff. This reduction in force resulted in the elimination of 47 positions, or approximately 25%, of the Company's headquarters and field management staff. This charge was accounted for in the restructuring charge in the Company's Consolidated Statements of Operations for the year ended January 31, 1998. Total actual costs related to this reduction in staff were $1.4 million as compared to the original charge of $1.6 million.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for fiscal year 1998 decreased to $9.7 million from $11.2 million in fiscal 1997 and $10.4 million in fiscal 1996, primarily due to store closings in fiscal 1997 and fiscal 1998. "See Liquidity and Capital Resources -- Capital Expenditures."

INTEREST EXPENSE

Interest expense for fiscal 1998 was $697,000 as compared to $851,000 in fiscal 1997 and $197,000 in fiscal 1996. This decrease as compared to fiscal 1997 is primarily a result of lower average borrowing levels and decreased interest rates under the Company's credit facility as compared to the prior year. The Company had no borrowings under its credit facility in fiscal year 1996. See "Liquidity and Capital Resources." The Company anticipates, barring unforeseen circumstances, that interest expense will increase in fiscal 1999 as a result of increased average borrowings under the credit facility as compared to fiscal 1998.

INTEREST INCOME

Interest income for fiscal 1998 decreased to $121,000 from $145,000 in fiscal 1997 and $1.2 million in fiscal 1996. This decrease was attributable to limited investment activity during fiscal 1998 as compared to the two prior years. The Company anticipates that interest income will be minimal through fiscal 1999. See "Liquidity and Capital Resources."

NET INCOME (LOSS)

The Company reported a loss of $18.5 million or $1.17 per share for fiscal 1998 as compared with a loss of $29.1 million or $1.86 per share in fiscal 1997 and net income of $6.3 million or $0.40 per share in fiscal 1996. Assuming current sales trends in fiscal 1999 continue, the Company currently estimates total sales for fiscal 1999 to be approximately $200 million. The Company currently expects, barring unforeseen circumstances, to earn a profit of at least $0.25 per share for the fiscal year ending January 29, 2000. Below is a summary of certain pre-tax charges included in the net loss for fiscal years 1998 and 1997.

(in thousands)	Fiscal 1998	Fiscal 1997	Fiscal 1996
Store closing and severance reserve recorded in the fourth quarter of fiscal 1998	$ 5,200	--	--
Store closing reserve recorded in the third quarter of fiscal 1998	13,400	--	--
Excess store closing reserve taken into income in the fourth quarter of fiscal 1998	(2,900)	--	--
Reduction in force recorded in the fourth quarter of fiscal 1997	--	$ 1,600	--
Store closing reserve and abandonment of vertical integration in the second quarter of fiscal 1997	--	20,000	--
Total charges	$ 15,700	$21,600	$ --
Earnings (loss) per share impact of charges, adjusted for minority interest portion of related charges	($ 0.61)	($ 0.81)	$ --
Earnings (loss) per share, exclusive of the above charges	($ 0.56)	($ 1.05)	$ 0.40

SEASONALITY

	FISCAL 1998		FISCAL 1997		FISCAL 1996	
	(SALES DOLLARS IN THOUSANDS)					
First quarter	$ 43,400	21.5%	$ 55,470	20.9%	$ 59,336	20.5%
Second quarter	47,078	23.4%	64,543	24.3%	66,524	23.0%
Third quarter	58,714	29.1%	77,459	29.1%	84,958	29.3%
Fourth quarter	52,442	26.0%	68,254	25.7%	78,755	27.2%
	$201,634	100.0%	$265,726	100.0%	$289,593	100.0%

A comparison of sales in each quarter of the past three fiscal years is presented above. The amounts shown are not necessarily indicative of actual trends, since such amounts also reflect the addition of new stores and the remodeling and closing of others during these periods. Historically, the Company has experienced seasonal fluctuations in revenues and income, exclusive of non-recurring charges, with increases occurring during the Company's third and fourth quarters as a result of "Fall" and "Holiday" seasons. In recent years, the Company's focus has shifted towards its outlet store business and the percentage of mall-based business has declined. Accordingly, the Company's third and fourth quarters, although continuing to generate a greater proportion of total sales, have become less significant to total sales as had previously been the case. This change is due to the seasonality of the Company's outlet business as compared with the mall-based specialty stores. A comparison of quarterly sales, gross profit, net income (loss) and net income (loss) per share for the past two fiscal years is presented in Note P of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash needs are for operating expenses, including cash outlays associated with inventory purchases, and capital expenditures for new and remodeled stores. The Company expects that cash flow from operations, short-term revolving borrowings and trade credit will enable it to finance its current working capital, remodeling and expansion requirements.

The following table sets forth financial data regarding the Company's liquidity position at the end of the past three fiscal years:

	FISCAL YEARS		
	1998	1997	1996
	(DOLLARS IN THOUSANDS)		
Cash provided by (used in) operations	$ 1,820	$ (7,182)	$ (1,823)
Working Capital	24,078	42,104	72,320
Current Ratio	1.7:1	2.4:1	4.0:1

To date, the Company has financed its working capital requirements, acquisitions and expansion program with cash flow from operations, borrowings under the Company's credit facility, and proceeds from common stock offerings. Cash provided by (used in) operating activities was $1.8 million, ($7.2) million and ($1.8) million in fiscal 1998, 1997 and 1996, respectively. The Company's improved cash flow from operations in fiscal 1998 is principally due to improved operating results and an income tax refund of $12.9 million related to fiscal 1997 operating losses.

At January 30, 1999, the Company was in a net borrowing position of $13.7 million compared to a net borrowing position of $8.4 million at January 31, 1998. The increased level of borrowing in fiscal 1998 is due to the Company's acquisition of 25 outlet stores in September 1998 for $9.7 million as well as cash outlays associated with its fiscal 1997 and 1998 restructuring programs. The following table provides a comparative analysis of the Company's cash and borrowings at the end of fiscal years 1998 and 1997:

(in thousands)	January 30, 1999	January 31, 1998
Cash and cash equivalents	$ 153	$1,473
Borrowings under credit facility	12,825	8,828
Promissory note payable	1,000	1,000
Net borrowing position	$13,672	$8,355

At January 30, 1999, total inventories increased 5.4% to $58.0 million from $55.0 million at January 31, 1998. This increase was comprised of the following components:

(in thousands)	January 30, 1999	Number of stores	January 31, 1998	Number of stores
Outlet stores	$53,146	100	$38,324	70
Specialty stores	1,802	5	2,394	5
Closed stores	2,977	8	14,456	50
Total inventories	$57,925	113	$54,972	125

The majority of the increase in inventories at January 30, 1999 as compared to the prior year is the result of the acquisition of 25 outlet stores offset by 37 closed stores during fiscal 1998. The Company continues to evaluate and, within the discretion of management, act upon opportunities to purchase substantial quantities of Levi's(R) and Dockers(R) brand products for its Levi's(R) Outlet and Dockers(R) Outlet stores.

The Company's trade payables to Levi Strauss & Co., its principal vendor, generally are due 30 days after the date of invoice. In fiscal 1998, the Company was current with all outstanding merchandise payables to vendors. The Company expects, barring unforeseen circumstances, that any purchases of branded merchandise from vendors other than Levi Strauss & Co. will be limited and in accordance with customary industry credit terms.

On June 4, 1998 the Company entered into an Amended and Restated Loan and Security Agreement with a subsidiary of BankBoston, N.A., BankBoston Retail Finance Inc., as agent for the lenders named therein (the "Credit Agreement"). The Credit Agreement, which terminates on June 4, 2001, consists of a revolving line of credit permitting the Company to borrow up to $50 million. Under this credit facility, the Company has the ability to cause the lenders to issue documentary and standby letters of credit up to $5 million. The Company's obligations under the Credit Agreement are secured by a lien on all of the Company's assets, except the assets of the OLS Partnership. The ability of the Company to borrow under the Credit Agreement is subject to a number of conditions including the accuracy of certain representations and compliance with tangible net worth and fixed charge coverage ratio covenants. The availability of the unused revolving line of credit is limited to specified percentages of the value of the Company's eligible inventory determined under the Credit Agreement, ranging from 60% to 65%. At the option of the Company, borrowings under this facility bear interest at BankBoston, N.A.'s prime rate or at LIBOR-based fixed rates. The Credit Agreement contains certain covenants and events of default customary for credit facilities of this nature, including change of control provisions and limitations on payment of dividends by the Company. The Company is subject to a prepayment penalty of $250,000 to $500,000 if the Credit Agreement terminates prior to June 4, 2000.

In the third quarter of fiscal 1998, the Credit Agreement was amended to, among other things, permit and acknowledge the Company's acquisition of the 25 outlet stores from LOS and the transactions associated with the agreement to dissolve and wind up the OLS Partnership. These amendments included an increase in the minimum tangible net worth that the Company must maintain, which was

adjusted to recognize the value of the assets distributed to the Company by the OLS Partnership. Prior to these amendments, the tangible net worth of the OLS Partnership was excluded from the calculation of the Company's tangible net worth for purposes of these financial covenants. Subject to certain limitations and conditions, the Credit Agreement permits the Company, without the prior permission of its lenders, to consummate certain acquisitions and to repurchase shares of the Company's Common Stock. These amendments, among other things, reduced the amount that the Company may expend for such purposes without obtaining the prior permission of its lender.

At January 30, 1999, the Company had borrowings of approximately $12.8 million outstanding under this facility and had two outstanding standby letters of credit totaling approximately $84,000. The Company was in compliance with all debt covenants under the Credit Agreement at the end of the fiscal year.

On May 2, 1995, the Company delivered a non-negotiable promissory note in the principal amount of $1,000,000 in connection with the acquisition of certain assets of Boston Trading Ltd., Inc. ("Boston Trading") in accordance with the terms of an Asset Purchase Agreement dated April 21, 1995 among Boston Trading, its stockholders, Designs Acquisition Corp., and the Company (the "Purchase Agreement"). The principal amount of the Purchase Note is payable in two equal annual installments through May 1997. The note bears interest at the published prime rate and is payable semi-annually from the date of acquisition.

In the first quarter of fiscal 1996, the Company asserted certain indemnification rights under the Purchase Agreement. In accordance with the Purchase Agreement, the Company, when exercising its indemnification rights, has the right, among other courses of action, to offset against the payment of principal and interest due and payable under the Purchase Note. Accordingly, the Company did not make the $500,000 payments of principal on the Purchase Note that were due on May 2, 1996 and May 2, 1997. The Company paid interest on the original principal amount of the Purchase Note through May 2, 1996 and continued to pay interest thereafter through January 31, 1998 on $500,000 of principal.

In January 1998, Atlantic Harbor, Inc. filed a lawsuit against the Company for failing to pay the outstanding principal amount of the Purchase Note. In March 1998, the Company filed a counterclaim against Atlantic Harbor, Inc. alleging that the Company was damaged in excess of $1 million because of the breach of certain representations and warranties made by Atlantic Harbor, Inc. and its stockholders concerning the existence and condition of certain foreign trademark registrations and license agreements. Barring unforeseen circumstances, management of the Company does not believe that the result of this litigation will have a material adverse effect on the Company's business or financial condition.

In March 1998, the Company received a federal income tax refund of approximately $12.9 million because of losses incurred by the Company during fiscal 1997, which were carried back against federal income tax payments in prior years. The Company used a portion of the cash received to reduce outstanding borrowings under its credit facility.

During the first quarter of fiscal year 1998, the Internal Revenue Service (IRS) completed an examination of the Company's federal income tax returns for fiscal years 1991 through 1995. Taxes on the adjustments proposed by the IRS, excluding interest, amount to approximately $4.9 million. The IRS has challenged the fiscal tax years in which various income and expense deductions were recognized, resulting in potential timing differences of previously paid federal income taxes. The Company intends to protest the proposed adjustments through the IRS appeals process. The Company believes that these adjustments will be reduced through the appeals process and, in the opinion of management, adequate provisions have been made for all income taxes and interest. The Company believes that any adjustments to prior periods that may arise as a result of this process, will not have a material impact on the results of operation and financial condition of the Company.

Year 2000 Issue

I. State of Readiness: Most of the Company's computer and process control systems were designed to use only two digits to represent years. As a result, they may not recognize "00" as representing the year 2000, but rather the year 1900 which could result in errors or system failures. The Company is in the process of converting technology and its information systems to be Year 2000 compliant. Barring unforeseen circumstances, the Company anticipates that the conversion will be complete by the end of calendar year 1999.

The Company's primary data processing systems for financial reporting, and merchandise management have been upgraded with new releases of year 2000 compliant software. Other significant systems utilized by the Company, which

include point of sale register systems, are in the process of being upgraded and will be complete in the second quarter of fiscal 1999. The payroll system is in the process of being reviewed and the Company plans to upgrade this system in fiscal 1999.

Management is reviewing embedded systems impacted by the year 2000 issue and a plan has been developed to address embedded systems based upon how critical they are to the business. During the second quarter of fiscal 1999 the Company expects to implement a plan to determine the year 2000 readiness of the Company's vendors including Levi Strauss & Co. and the Company's other merchandise vendors.

II. Cost to Address Year 2000 Issues: The Company expects to spend approximately $600,000 in total, which will be expensed in the Company's financial statements as incurred, in the conversion and upgrade costs. Through the end of fiscal year 1998, the Company has spent and expensed approximately $300,000 in this area. The Company expects that cash flow from operations, and short-term revolving borrowings will enable it to fund its Year 2000 remediation.

III. Risks related to the Company's Year 2000 Issues: The Company's ability to operate would be impacted by the lack of electronic transmission of data from its merchandise vendors and would result in the implementation of manual processes to account for receipt of merchandise. The implementation of manual processes would result in a slow down of product shipments to the Company's stores, which could have an adverse impact on sales. In a worse case scenario, telecommunications or electrical power interruptions on a regional or national scale could adversely affect all merchants' ability to operate.

IV. Company's Contingency Plan: The Company's contingency plan in the event that a slow down of shipments from Levi Strauss & Co. occurs includes increasing purchases in advance of the beginning of the year 2000 to ensure adequate supplies of merchandise would be available.

CAPITAL EXPENDITURES

The following table sets forth the stores opened, remodeled and closed and the associated capital expenditures incurred for the fiscal years presented:

	1998	1997	1996
Designs	--	--	--
Boston Trading Co.(R)	--	6	--
Boston Traders(R)outlets	--	1	1
Joint Venture:			
Original Levi's Stores(TM)	--	--	--
Levi's(R)Outlet stores	--	1	6
Total new stores (1)	--	8	7
Remodeled Levi's(R) Outlet by Designs	--	5	5
Remodeled Designs	--	--	--
Remodeled Boston Traders(R) Outlets	--	6	1
Total remodeled stores	--	11	6
Total closed stores	37	32	15
Capital expenditures (000's)	$ --	$6,554	$2,775

(1) Excludes 16 Dockers(R) Outlet stores and nine Levi's(R) Outlet stores acquired by the Company on September 30, 1998.

Exclusive of the acquisition described above, the Company did not remodel or open any new stores in fiscal 1998. The Company incurred capital expenditures of $510,000 in fiscal 1998 related to miscellaneous store capital improvements, leasehold improvements and technology expenditures.

The Company's present plans for expansion in fiscal 1999, barring unforeseen circumstances, includes opening three new Levi's(R)/Dockers(R) Outlet by Designs stores and relocating seven existing Levi's(R) Outlet by Designs stores to new outlet centers

in the Eastern United States. The capital expenditures related to these new stores are expected, barring unforeseen circumstances, to total approximately $1.7 million. This amount is net of committed landlord allowances that the Company expects to receive during fiscal 1999.

The approximate cost to remodel or build a new Levi's(R)/Dockers(R) Outlet store is approximately $35 per square foot. If the Company remodels or replaces twelve of its 59 oldest Levi's(R) Outlet by Designs stores each year beginning in fiscal 1999, the capital expenditures associated with this construction, excluding any landlord allowances that the Company may receive, are expected to be approximately $4.2 million per year for each of the next five years. See Recent Developments above.

The Company continues to seek opportunities to open and operate outlet stores for other manufacturers of branded apparel. The Company continues to evaluate the performance of its existing stores and to consider ways to enhance its businesses. As a result of this process, certain store locations could be closed or relocated within a shopping center in the future.

Recent Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded in current earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company will be required to adopt SFAS No. 133 in fiscal 2000. The Company does not anticipate that the adoption of SFAS No. 133 will have a significant effect on the Company's results of operations or financial position.

Effects of Inflation

Although the Company's operations are influenced by general economic trends, the Company does not believe that inflation has had a material effect on the results of its operations in the last three fiscal years.

Risks and Uncertainties

The foregoing discussion of the Company's results of operations, liquidity, capital resources and capital expenditures includes certain forward-looking information. Such forward-looking information requires management to make certain estimates and assumptions regarding the Company's expected strategic direction and the related effect of such plans on the financial results of the Company. Accordingly, actual results and the Company's implementation of its plans and operations may differ materially from forward-looking statements made by the Company. The Company encourages readers of this information to refer to the Company's Current Report on Form 8-K, previously filed with the United States Securities and Exchange Commission on May 1, 1998, which identifies certain risks and uncertainties that may have an impact on future earnings and the direction of the Company.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The financial statements and other information required by this item are listed in the "Index to Financial Statements" on page 34 of this Report.

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

Information with respect to directors and executive officers of the Company is incorporated herein by reference to the Company's definitive proxy statement expected to be filed within 120 days of the end of the fiscal year ended January 30, 1999.

Item 11. Executive Compensation

Information with respect to executive compensation is incorporated herein by reference to the Company's definitive proxy statement expected to be filed within 120 days of the end of the fiscal year ended January 30, 1999.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the Company's definitive proxy statement expected to be filed within 120 days of the end of the fiscal year ended January 30, 1999.

Item 13. Certain Relationships and Related Transactions

Information with respect to certain relationships and related transactions is incorporated by reference to the Company's definitive proxy statement to be filed within 120 days of the fiscal year ended January 30, 1999.

PART IV.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

14(a)(1) Financial Statements

The list of consolidated financial statements and notes required by this Item 14(a)(1) is set forth in the "Index to Financial Statements" on page XX of this Report.

14(a)(2) Financial Statement Schedules

Schedule II- Valuation and Qualifying Accounts for the three years ended January 30, 1999, January 31, 1998 and February 1, 1997 on page 28 of this Report.

All other schedules, other than the one listed above, have been omitted because the required information is not applicable or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the financial statements or notes thereto.

14(a)(3) Exhibits

The list of exhibits required by this Item 14(a)(3) is set forth in the "Index to Exhibits" on pages 29 to 32 of this Report.

14(b) Reports on Form 8-K

The Company reported under Item 5 of Form 8-K, dated December 3, 1998, that the Company (i) purchased nine Levi's(R) Outlet stores and 16 Dockers(R) Outlet stores from Levi's Only Stores, Inc. (LOS), (ii) entered into an Amendment and Distribution Agreement with LDJV Inc., a wholly owned subsidiary of LOS to dissolve and wind up the OLS Partnership, (iii) entered into a Guaranty on October 31, 1998, in connection with the Distribution Agreement, (iv) entered into an Amended and Restated Trademark License Agreement with Levi Strauss & Co. dated October 31, 1998, (v) entered into a First Amendment on September 29, 1998 to the Amended and Restated Loan and Security Agreement, dated June 4, 1998 and (vi) entered into a Second Amendment on October 31, 1998 to the Amended and Restated Loan and Security Agreement, dated June 4, 1998.

SCHEDULE II
DESIGNS, INC.

VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended January 30, 1999

Description	Balance at Beginning of Year	Net Provision	Charges/ Write-offs	Balance At End Year
Accrued Restructuring Reserves				
Year ended February 1, 1997	--	--	--	--
Year ended January 31, 1998	--	$ 21,600(1)	$ (18,672)	$ 2,629(3)
Year ended January 30, 1999	$ 2,629	15,706(2)	(11,174)	7,161(4)

(1) In Fiscal 1997, the Company recorded charges of $21.6 million related to severance and its shift in strategy away from the vertically integrated Boston Traders(R) private label concept to a strategy with greater emphasis on name brands. Included in this charge was $13.9 million for merchandise markdowns and costs associated with the cancellation of fabric commitments which were included in cost of goods sold for the fiscal year ending January 31, 1998.

(2) Included in the severance and store closing charge for fiscal 1998 of $15.7 million, is a markdown reserve of $808,000 which was included in cost of goods sold for the fiscal year ending January 30, 1999.

(3) Included in the reserve balance at year end is a markdown reserve of $830,000 which was included in inventory on the consolidated balance sheet.

(4) Included in the reserve balance at year end is a markdown reserve of $808,000 which was included in inventory and $1,981,000 of fixed asset reserves which were included in fixed assets on the consolidated balance sheet.

Exhibits

3.1	Restated Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1 to Amendment No. 3 of the Company's Registration Statement on Form S-1 (No. 33-13402), and incorporated herein by reference).	*
3.2	Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated June 22, 1993 (included as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q dated June 17, 1996, and incorporated herein by reference).	*
3.3	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of the Company establishing Series A Junior Participating Cumulative Preferred Stock dated May 1, 1995 (included as Exhibit 3.2 to the Company's Annual Report on Form 10-K dated May 1, 1996, and incorporated herein by reference).	*
3.4	By-Laws of the Company, as amended.	
4.1	Shareholder Rights Agreement dated as of May 1, 1995 between the Company and its transfer agent (included as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 1, 1995, and incorporated herein by reference).	*
4.2	First Amendment dated as of October 6, 1997 to the Shareholder Rights Agreement dated as of May 1, 1995 between the Company its transfer agent (included as Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 9, 1997, and incorporated herein by reference).	*
10.1	1987 Incentive Stock Option Plan, as amended (included as Exhibit 10.1 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference).	*
10.2	1987 Non-Qualified Stock Option Plan, as amended (included as Exhibit 10.2 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference).	*
10.3	1992 Stock Incentive Plan, as amended (included as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q dated June 16, 1998, and incorporated herein by reference).	*
10.4	Senior Executive Incentive Plan for the fiscal year ending January 29, 2000.	
10.5	License Agreement between the Company and Levi Strauss & Co. dated as of April 14, 1992 (included as Exhibit 10.8 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference).	*
10.6	Amended and Restated Trademark License Agreement between the Company and Levi Strauss & Co. dated as of October 31, 1998 (included as Exhibit 10.4 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.7	Amended and Restated Loan and Security Agreement dated as of June 4, 1998, between the Company and BankBoston Retail Finance Inc., as agent for the Lender(s) identified therein ("BRBF"), and the Lender(s) (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 11, 1998, and incorporated herein by reference).	*
10.8	Fee letter dated as of June 4, 1998, between the Company and BBRF (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 11, 1998, and incorporated herein by reference).	*
10.9	First Amendment to Loan and Security Agreement dated as of September 29, 1998 among the Company, BBRF and the Lender(s) identified therein (included as Exhibit 10.5 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*

10.10	Second Amendment to Loan and Security Agreement dated as of October 31, 1998 among the Company, BBRF and the Lender(s) identified therein (included as Exhibit 10.6 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.11	Participation Agreement among Designs JV Corp. (the "Designs Partner"), the Company, LDJV Inc. (the "LOS Partner"), Levi's Only Stores, Inc. ("LOS"), Levi Strauss & Co. ("LS&CO") and Levi Strauss Associates Inc. ("LSAI") dated January 28, 1995 (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.12	Partnership Agreement of The Designs/OLS Partnership (the "OLS Partnership") between the LOS Partner and the Designs Partner dated January 28, 1995 (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.13	Glossary executed by the Designs Partner, the Company, the LOS Partner, LOS, LS&CO, LSAI and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.3 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.14	Sublicense Agreement between LOS and the LOS Partner dated January 28, 1995 (included as Exhibit 10.4 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.15	Sublicense Agreement between the LOS Partner and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.5 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.16	License Agreement between the Company and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.6 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.17	Administrative Services Agreement between the Company and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.7 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.18	Amendment and Distribution Agreement dated as of October 31, 1998 among the Designs Partner, the LOS Partner and the OLS Partnership (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.19	Guaranty by the Company of the indemnification obligation of the Designs Partner dated as of October 31, 1998 in favor of LS& Co. (included as Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.20	Credit Agreement among the Company, LOS and the OLS Partnership dated as of October 1, 1996 (included as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q dated December 17, 1996, and incorporated herein by reference).	*
10.21	First Amendment to Credit Agreement among the Company, LOS and the OLS Partnership dated as of October 29, 1997 (included as Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q dated December 16, 1997, and incorporated herein by reference).	*
10.22	Asset Purchase Agreement between LOS and the Company relating to the sale by the Company of stores located in Minneapolis, Minnesota dated January 28, 1995 (included as Exhibit 10.9 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*

10.23	Asset Purchase Agreement among Boston Trading Ltd., Inc., Designs Acquisition Corp., the Company and others dated April 21, 1995 (included as 10.16 to the Company's Quarterly Report on Form 10-Q dated September 12, 1995, and incorporated herein by reference).	*
10.24	Non-Negotiable Promissory Note between the Company and Atlantic Harbor, Inc., formerly known as Boston Trading Ltd., Inc., dated May 2, 1995 (included as 10.17 to the Company's Quarterly Report on Form 10-Q dated September 12, 1995, and incorporated herein by reference).	*
10.25	Asset Purchase Agreement dated as of September 30, 1998 between the Company and LOS relating to the purchase by the Company of 16 Dockers(R) Outlet and nine Levi's(R) Outlet stores (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.26	Employment Agreement dated as of October 16, 1995 between the Company and Joel H. Reichman (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 6, 1995, and incorporated herein by reference).	*
10.27	Employment Agreement dated as of October 16, 1995 between the Company and Scott N. Semel (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 6, 1995, and incorporated herein by reference).	*
10.28	Employment Agreement dated as of May 9, 1997 between the Company and Carolyn R. Faulkner (included as Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q dated June 17, 1997, and incorporated herein by reference).	*
10.29	Separation Agreement dated as of February 9, 1998 between the Company and Mark S. Lisnow (included as Exhibit 10.26 to the Company's Annual Report on Form 10-K dated May 1, 1998, and incorporated herein by reference).	*
10.30	Indemnification Agreement between the Company and James G. Groninger, dated December 10, 1998.	
10.31	Indemnification Agreement between the Company and Bernard M. Manuel, dated December 10, 1998.	
10.32	Indemnification Agreement between the Company and Peter L. Thigpen, dated December 10, 1998.	
10.33	Indemnification Agreement between the Company and Melvin Shapiro, dated December 10, 1998.	
10.34	Indemnification Agreement between the Company and Joel H. Reichman, dated December 10, 1998.	
10.35	Indemnification Agreement between the Company and Scott N. Semel, dated December 10, 1998.	
10.36	Indemnification Agreement between the Company and Carolyn R. Faulkner, dated December 10, 1998.	
11	Statement re: computation of per share earnings.	
21	Subsidiaries of the Registrant.	
23.1	Consent of Arthur Andersen LLP	
23.2	Consent of PricewaterhouseCoopers LLP	
27	Financial Data Schedule.	

99	Report of the Company on Form 8-K, dated May 1, 1998 concerning certain cautionary statements of the Company to be taken into account in conjunction with consideration and review of the Company's publicly-disseminated documents (including oral statements made by others on behalf of the Company) that include forward looking information.	*

* Previously filed with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DESIGNS, INC.

April 30, 1999

By: /s/ JOEL H. REICHMAN

Joel H. Reichman
President and Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company in the capacities indicated, on April 30, 1999.

Signatures

/s/ JOEL H. REICHMAN Joel H. Reichman	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ CAROLYN R. FAULKNER Carolyn R. Faulkner	Vice President, Chief Financial Officer and Treasurer
Stanley I. Berger	Chairman of the Board and Director
/s/ JAMES G. GRONINGER James G. Groninger	Director
/s/ MELVIN SHAPIRO Melvin Shapiro	Director
/s/ BERNARD M. MANUEL Bernard M. Manuel	Director
/s/ PETER L. THIGPEN Peter L. Thigpen	Director

DESIGNS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The integrity and objectivity of the financial statements and the related financial information in this report are the responsibility of the management of the Company. The financial statements have been prepared in conformity with generally accepted accounting principles and include, where necessary, the best estimates and judgments of management.

The Company maintains a system of internal accounting control designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded, transactions are executed in accordance with management's authorization and the accounting records provide a reliable basis for the preparation of the financial statements. The system of internal accounting control is regularly reviewed by management and improved and modified as necessary in response to changing business conditions.

The Audit Committee of the Board of Directors, consisting solely of outside directors, meets periodically with management and the Company's independent accountants to review matters relating to the Company's financial reporting, the adequacy of internal accounting control and the scope and results of audit work. The independent accountants have free access to the Committee.

Arthur Andersen LLP, independent public accountants, have been engaged to examine the financial statements of the Company. The Report of Independent Public Accountants expresses an opinion as to the fair presentation of the financial statements in accordance with generally accepted accounting principles and is based on an audit conducted in accordance with generally accepted auditing standards.

/s/ JOEL H. REICHMAN
Joel H. Reichman
President and Chief Executive Officer

/s/ CAROLYN R. FAULKNER
Carolyn R. Faulkner
Vice President, Chief Financial Officer & Treasurer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Designs, Inc:

We have audited the accompanying consolidated balance sheet of Designs, Inc. and subsidiaries as of January 30, 1999 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Designs, Inc. and subsidiaries as of January 30, 1999, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a)(2) is presented for purposes of complying with the Securities and Exchange Commissions 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.

Boston, Massachusetts
March 16, 1999

/s/ ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Designs, Inc:

We have audited the accompanying consolidated balance sheet of Designs, Inc. as of January 31, 1998 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the two years in the period ended January 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits. We have not audited the consolidated financial statements of Designs, Inc. for any period subsequent to January 31, 1998.

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 consolidated financial position of Designs, Inc. as of January 31, 1998, and the consolidated results of its operations and its cash flows for each of the two years in the period ended January 31, 1998 in conformity with generally accepted accounting principles.

Boston, Massachusetts
March 17, 1998, except as to
the segment information for the
two years in the period ended
January 31, 1998 presented in
Note N, for which the date is
April 29, 1999.

/s/ PRICEWATERHOUSECOOPERS LLP

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of Designs, Inc:

Our audits of the consolidated financial statements referred to in our report dated March 17, 1998, except as to the segment information for the two years in the period ended January 31, 1998 presented in Note N, for which the date is April 29, 1999, appearing on page 37 of the Fiscal 1998 Annual Report on Form 10-K to Stockholders of Designs, Inc. also included an audit of the financial statement schedule for the period ended January 31, 1998 listed in Item 14(a)(2) of this Form 10-K. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Boston, Massachusetts
April 29, 1999

/s/ PRICEWATERHOUSECOOPERS LLP

CONSOLIDATED BALANCE SHEETS
January 30, 1999 and January 31, 1998

	January 30, 1999 (Fiscal 1998)	January 31, 1998 (Fiscal 1997)
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 153	$ 1,473
Accounts receivable	178	115
Inventories	57,925	54,972
Income taxes refundable and deferred	272	13,857
Prepaid expenses	911	1,015
Total current assets	59,439	71,432
Property and equipment, net of accumulated depreciation and amortization	17,788	35,307
Other assets:		
Deferred income taxes	18,570	6,362
Intangible assets, net	2,628	2,945
Other assets	892	353
Total assets	$ 99,317	$ 116,399
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,716	$ 8,821
Accrued expenses and other current liabilities	6,030	6,129
Accrued rent	2,015	2,751
Reserve for severance and store closings	4,372	1,799
Payable to affliliate	403	--
Notes payable	13,825	9,828
Total current liabilities	35,361	29,328
Commitments and contingencies (Note F)		
Minority interest	--	4,691
Stockholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued	--	--
Common stock, $0.01 par value, 50,000,000 shares authorized, 16,178,000 and 16,012,000 shares issued at January 30, 1999 and January 31, 1998, respectively	162	160
Additional paid-in capital	53,908	53,652
Retained earnings	11,854	30,395
Treasury stock at cost, 286,650 and 281,000 shares at January 30, 1999 and January 31, 1998, respectively	(1,830)	(1,827)
Deferred compensation	(138)	--
Total stockholders' equity	63,956	82,380
Total liabilities and stockholders' equity	$ 99,317	$ 116,399

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the fiscal years ending January 30, 1999, January 31, 1998
and February 1, 1997

	Fiscal 1998	Fiscal 1997	Fiscal 1996
	(In thousands, except per share data)		
Sales	$ 201,634	$ 265,726	$ 289,593
Cost of goods sold including occupancy	159,385	227,368	203,364
Gross profit	42,249	38,358	86,229
Expenses:			
Selling, general and administrative	47,979	65,657	65,936
Charges for severance and store closings	14,929	7,646	-
Depreciation and amortization	9,727	11,234	10,403
Total expenses	72,635	84,537	76,339
Operating income (loss)	(30,386)	(46,179)	9,890
Interest expense	697	851	197
Interest income	121	145	1,166
Income (loss) before minority interest and income taxes	(30,962)	(46,885)	10,859
Less minority interest	(1,693)	(323)	495
Income (loss) before income taxes	(29,269)	(46,562)	10,364
Provision (benefit) for income taxes	(10,728)	(17,499)	4,100
Net income (loss)	$ (18,541)	$ (29,063)	$ 6,264
Earnings (loss) per share - Basic and Diluted	($1.17)	($1.86)	$0.40
Weighted average number of common shares outstanding:			
Basic	15,810	15,649	15,755
Diluted	15,810	15,649	15,833

The accompanying notes are an integral part of the
consolidated financial statements.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the fiscal years ending January 30, 1999, January 31, 1998
and February 1, 1997

	Common Stock Shares	Common Stock Amounts	Treasury Stock Shares	Treasury Stock Amounts	Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Total
				(In thousands)				
Balance at February 3, 1996	15,818	$ 158	--	$ --	$ 52,767	$ --	$ 53,160	$106,085
Issuance of Common Stock:								
Exercises under option programs	5				24(1)			24
Repurchase of 281,000 shares under the stock repurchase program			(281)	(1,827)				(1,827)
Issuance of 50,000 shares as part of the Boston Trading Ltd., Inc. Acquistion	50	1			529			530
Unrealized loss on investments							(31)	(31)
Net income							6,264	6,264
Balance at February 1, 1997	15,873	$ 159	(281)	$ (1,827)	$ 53,320	$ --	$ 59,393	$111,045
Issuance of Common Stock:								
Exercises under option programs	144	1			351(1)			352
Retirement of shares	(5)				(19)			(19)
Unrealized gain on investments							65	65
Net loss							(29,063)	(29,063)
Balance at January 31, 1998	16,012	$ 160	(281)	$ (1,827)	$ 53,652	$ --	$ 30,395	$ 82,380
Issuance of Common Stock:								
Board of Directors compensation	50	1			78			78
Restricted Stock Award to associates	116	1			178	$ (178)		1
Restricted Stock vesting						38		38
Restricted Stock cancelled			(5)	(3)	-	2		(1)
Net loss							(18,541)	(18,541)
Balance at January 30, 1999	16,178	$ 162	(286)	$ (1,830)	$ 53,908	$ (138)	$ 11,854	$ 63,956

(1) Net of related tax benefit.

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENTS OF CASH FLOWS
For the fiscal years ending January 30, 1999, January 31, 1998
and February 1, 1997

	Fiscal 1998	Fiscal 1997	Fiscal 1996
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	$(18,541)	$(29,063)	$ 6,264
Adjustments to reconcile to net cash provided by (used for) operating activities:			
Depreciation and amortization	9,727	11,234	10,403
Deferred income taxes	(10,213)	(5,015)	(262)
Minority interest	(1,693)	(323)	495
Loss from sale of investments	--	102	17
Loss (gain) from disposal of property and equipment	161	398	(35)
Changes in operating assets and liabilities, net of acquisition:			
Accounts receivable	(761)	443	(85)
Inventories	(712)	12,598	(21,950)
Prepaid expenses	104	3,819	(993)
Other assets	(739)	(153)	322
Income taxes	12,469	(12,697)	1,480
Accounts payable	(105)	(3,373)	4,009
Reserve for severance and store closing	11,206	15,412	--
Accrued expenses and other current liabilities	(269)	(917)	(1,300)
Accrued rent	1,186	353	(188)
Net cash provided by (used for) operating activities	1,820	(7,182)	(1,823)
Cash flows from investing activities:			
Additions to property and equipment	(510)	(7,762)	(12,290)
Payment for aquisition of outlet stores	(9,737)	--	--
Incurrence of pre-opening costs	--	(325)	(640)
Proceeds from disposal of property and equipment	102	13	151
Sale of investments	--	5,888	6,072
Net cash used for investing activities	(10,145)	(2,186)	(6,707)
Cash flows from financing activities:			
Net borrowings under credit facility	3,997	8,828	--
Repurchase of common stock	--	--	(1,827)
Capital contribution from minority equityholder of joint venture	2,892	--	--
Distributions to minority equityholder of joint venture	--	(1,710)	(218)
Issuances, net of cancellations, of restricted stock	38	--	--
Issuances of common stock to Board of Directors	78	--	--
Issuance of common stock under option program (1)	--	333	24
Net cash provided by (used for) financing activities	7,005	7,451	(2,021)
Net decrease in cash and cash equivalents	(1,320)	(1,917)	(10,551)
Cash and cash equivalents:			
Beginning of the year	1,473	3,390	13,941
End of the year	$ 153	$ 1,473	$ 3,390

(1) Net of related tax benefit.

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Line of Business

Designs, Inc. (the "Company") operates a chain of outlet stores and specialty apparel stores located primarily in the eastern part of the United States, which sells clothing and accessories. Levi Strauss & Co. is the most significant vendor of the Company, representing a substantial portion of the Company's merchandise purchases.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries and affiliates. All material intercompany accounts, transactions and profits have been eliminated.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates.

Fiscal Year

The Company's fiscal year is a 52 or 53 week period ending on the Saturday closest to January 31. Fiscal years 1998, 1997 and 1996 ended on January 30, 1999, January 31, 1998 and February 1, 1997, respectively. Fiscal years 1998, 1997 and 1996 were 52-week periods.

Cash and Cash Equivalents

Short-term investments, which have a maturity of ninety days or less when acquired, are considered cash equivalents. The carrying value approximates fair value.

Inventories

Substantially all merchandise inventories are valued at the lower of cost or market using the retail method on the last-in first-out basis ("LIFO"). At January 30, 1999 and January 31, 1998, approximately $606,000 and $1.6 million of Boston Traders(R) liquidation merchandise was valued on the first-in first-out ("FIFO") basis, respectively. If all inventory had been valued on the FIFO basis, inventory at January 30, 1999 and January 31, 1998 would have been approximately $58,841,000 and $56,698,000 respectively. The (provision) benefit for LIFO was $795,000, ($534,000), and ($391,000) in fiscal 1998, 1997 and 1996, respectively.

Property and Equipment

Property and equipment are stated at cost. Major additions and improvements are capitalized, while repairs and maintenance are charged to expense as incurred. Upon retirement or other disposition, the cost and related depreciation of the assets are removed from the accounts and the resulting gain or loss is reflected in income. Depreciation is computed on the straight-line method over the assets' estimated useful lives as follows:

Motor vehicles	Five years
Store furnishings	Five to ten years
Equipment	Five to eight years
Leasehold improvements	Lesser of useful lives or related lease life
Software development	Three to five years

Intangibles

Trademarks and licensing agreements acquired are amortized on a straight line basis over 15 years and 3 years, respectively. Amortization expense for trademarks and licensing agreements was $317,000 and $312,000 for fiscal 1998 and 1997, respectively. Accumulated amortization for trademark and licensing was $1,143,000 and $826,000 at January 30, 1999 and January 31, 1998, respectively.

Preopening Costs

In fiscal 1997, the Company adopted Statement of Position (SOP) 98-5, Reporting on the Costs of Start-Up Activities. In accordance with this SOP, the Company expenses all pre-opening costs as incurred. Adoption of this pronouncement in fiscal 1997 did not have a material effect on the Company's financial statements.

Advertising costs

Advertising costs, which are included in Selling, general and administrative expenses are expensed when incurred. Advertising expense was $1.2 million, $2.7 million and $2.7 million for fiscal 1998, 1997 and 1996, respectively.

Minority Interest

As more fully discussed in Note K, minority interest represents LDJV Inc.'s 30% interest in The Designs/OLS Partnership (the "OLS Partnership"), a joint venture between Designs JV Corp., a wholly-owned subsidiary of the Company, and LDJV Inc., a wholly-owned subsidiary of Levi's Only Stores, Inc. which is a wholly-owned subsidiary of Levi Strauss & Co. As discussed more fully in Note K, during the fourth quarter of fiscal 1998, Designs JV Corp. and LDJV, Inc. agreed to dissolve and wind up the Partnership.

Net Income Per Share

Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128") requires the computation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is determined by giving effect to the exercise of stock options using the treasury stock method.

(In thousands)	Fiscal Years Ending		
	January 30, 1999	January 31, 1998	February 1, 1997
Basic weighted average common shares outstanding	15,810	15,649	15,755
Stock options, excluding anti-dilutive options of 80 shares and 34 shares for January 30, 1999, and January 31, 1998, respectively	--	--	78
Diluted weighted average shares outstanding	15,810	15,649	15,833

Options to purchase shares of the Company's common stock of 1,876,350, 2,026,700 and 1,670,300 for fiscal years 1998, 1997 and 1996, respectively, were outstanding during the respective periods but were not included in the computation of diluted EPS because the price of the options was greater than the average market price of the common stock for the period reported. These options, which all expire between June 2, 2002 and June 10, 2007, have exercise prices that range from $4.44 to $21.50 in fiscal 1998, $4.88 to $21.50 in fiscal 1997 and $6.63 to $21.50 in fiscal 1996.

During fiscal 1994, the Company's Board of Directors authorized the repurchase of up to two million shares of the Company's Common Stock. The Company repurchased 280,900 shares of the Company's Common Stock during fiscal 1996 at an aggregate cost of $1,827,000. These shares were recorded by the Company as treasury stock, and accounted for as a reduction in shareholders' equity. Shares owned by the Company are not considered outstanding for the computation of earnings per share until re-issued by the Company.

Impairment of Long-Lived Assets

The Company accounts for long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of." The Company reviews its long-lived assets for events or changes in circumstances that might indicate the carrying amount of the assets may not be recoverable. The Company assesses the recoverability of the assets by determining whether the depreciation of such assets over the remaining lives can be recovered through projected undiscounted future cash flows. The amount of impairment, if any, is measured based on projected discounted future cash flows using a discount rate reflecting the Company's average cost of funds. At January 30, 1999, no such impairment of assets was indicated. In fiscal 1997, the Company recorded an impairment charge of $378,000 for a write-down of fixed assets which is included in selling, general, and administrative expenses in the accompanying statements of operations.

Comprehensive Income

During fiscal 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income, which established standards for reporting and display of comprehensive income and its components. Comprehensive income is the total of net income and all other nonowner changes in stockholders' equity. The adoption of this pronouncement did not have a material effect on the Company's financial statements.

Segment Disclosures

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 specifies new guidelines for determining a company's operating segments and related requirements for disclosure. SFAS 131 becomes effective for fiscal years beginning after December 15, 1997. The Company has adopted this standard for the fiscal year ending January 30, 1999 (see note N).

Derivative Instruments and Hedging

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded in current earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company will be required to adopt SFAS No. 133 in fiscal 2000. The Company does not anticipate that the adoption of SFAS No. 133 will have a significant effect on the Company's results of operations or financial position.

Reclassifications

Certain amounts from prior years have been reclassified to conform to the current year presentation.

B. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

	January 30, 1999	January 31, 1998
	(In Thousands)	
Motor vehicles	$ 356	$ 388
Store furnishings	15,338	22,182
Equipment	7,513	9,662
Leasehold improvements	15,690	31,948
Purchased software	5,008	5,550
Construction in progress	--	388
	43,905	70,118
Less accumulated depreciation	26,117	34,811
Total property and equipment	$ 17,788	$ 35,307

Depreciation expense for fiscal 1998, 1997 and 1996 was $9,209,942, $10,040,000 and $9,042,000, respectively.

C. INVESTMENTS

The Company held no investments during fiscal 1998. During fiscal 1997, the Company sold investment securities with a cost of $5,992,000 for $5,890,000.

D. DEBT OBLIGATIONS

On June 4, 1998 the Company entered into an Amended and Restated Loan and Security Agreement with a subsidiary of BankBoston, N.A., BankBoston Retail Finance Inc., as agent for the lenders named therein (the "Credit Agreement"). The Credit Agreement, which terminates on June 4, 2001, consists of a revolving line of credit permitting the Company to borrow up to $50 million. Under this credit facility, the Company has the ability to cause the lenders to issue documentary and standby letters of credit up to $5 million. The Company's obligations under the Credit Agreement are secured by a lien on all of the Company's assets, except the assets of the OLS Partnership. The ability of the Company to borrow under the Credit Agreement is subject to a number of conditions including the accuracy of certain representations and compliance with tangible net worth and fixed charge coverage ratio covenants. The availability of the unused revolving line of credit is limited to specified percentages of the value of the Company's eligible inventory determined under the Credit Agreement, ranging from 60% to 65%. At the option of the Company, borrowings under this facility bear interest at BankBoston, N.A.'s prime rate or at LIBOR-based fixed rates. These interest rates at January 30, 1999 were 7.75% for prime and 7.375% for LIBOR. The Credit Agreement contains certain covenants and events of default customary for credit facilities of this nature, including change of control provisions and limitations on payment of dividends by the Company. The Company is subject to a prepayment penalty of $250,000 to $500,000 if the Credit Agreement terminates prior to June 4, 2000.

In the third quarter of fiscal 1998, the Credit Agreement was amended to, among other things, permit and acknowledge the Company's acquisition of the 25 outlet stores from LOS and the transactions associated with the agreement to dissolve and wind up the OLS Partnership. These amendments include an increase in the minimum tangible net worth that the Company must have, which was adjusted to recognize the value of the assets distributed to the Company by the OLS Partnership. Prior to these amendments, the tangible net worth of the OLS Partnership was excluded from the calculation of the Company's tangible net worth for purposes of these financial covenants. Subject to certain limitations and conditions, the Credit Agreement permits the Company, without the prior permission of its lenders, to consummate certain acquisitions and to repurchase shares of the Company's Common Stock. These amendments, among other things, reduced the amount that the Company may expend for such purposes without obtaining the prior permission of its lenders.

At January 30, 1999, the Company had borrowings of approximately $12.8 million outstanding under this facility and had two outstanding standby letters of credit totaling approximately $84,000. Average borrowings outstanding under this credit facility for fiscal year 1998 were approximately $6.4 million. The Company was in compliance with all debt covenants under the Credit Agreement at January 30, 1999.

On May 2, 1995, the Company delivered a non-negotiable promissory note in the principal amount of $1,000,0000 in connection with the acquisition of certain assets of Boston Trading Ltd., Inc. ("Boston Trading") in accordance with the terms of an Asset Purchase Agreement dated April 21, 1995 among Boston Trading, its stockholders, Designs Acquisition Corp., and the Company (the "Purchase Agreement"). The principal amount of the Purchase Note was payable in two equal annual installments through May 1997. The note bears interest at the published prime rate and is payable semi-annually from the date of acquisition.

In the first quarter of fiscal 1996, the Company asserted certain indemnification rights under the Purchase Agreement. In accordance with the Purchase Agreement, the Company, when exercising its indemnification rights, has the right, among other courses of action, to offset against the payment of principal and interest due and payable under the Purchase Note. Accordingly, the Company did not make the $500,000 payments of principal on the Purchase Note that were due on May 2, 1996 and May 2, 1997. The Company paid interest on the original principal amount of the Purchase Note through May 2, 1996 and continued to pay interest thereafter through January 31, 1998 on $500,000 of principal.

In January 1998, Atlantic Harbor, Inc. filed a lawsuit against the Company for failing to pay the outstanding principal amount of the Purchase Note. In March 1998, the Company filed a counterclaim against Atlantic Harbor, Inc. alleging that the Company was damaged in excess of $1 million because of the breach of certain representations and warranties made by Atlantic Harbor, Inc. and its stockholders concerning the existence and condition of certain foreign trademark registrations and license agreements. Barring unforeseen circumstances, management of the Company does not believe that the result of this litigation will have a material adverse effect on the Company's results of operations or financial position.

The Company paid interest and fees on all the above described debt obligations totaling $1,062,000, $833,000 and $253,000 for the fiscal years 1998, 1997 and 1996, respectively.

E. INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes"("SFAS 109"). Under SFAS 109, deferred tax assets and liabilities are recognized based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. SFAS 109 requires current recognition of net deferred tax assets to the extent that it is more likely than not that such net assets will be realized. To the extent that the Company believes that its net deferred tax assets will not be realized, a valuation allowance must be placed against those assets.

As of January 30, 1999, the Company has net operating loss carryforwards of $29,881,000 for federal income tax purposes and $72,802,000 for state income tax purposes which are available to offset future taxable income through fiscal year 2018. Additionally, the Company has alternative minimum tax credit carryforwards of $1,138,000 which are available to reduce further income taxes over an indefinite period.

The components of the net deferred tax assets as of January 30, 1999 and January 31, 1998 are as follows:

	January 30, 1999	January 31, 1998
	(In Thousands)	
Deferred tax assets - current:		
Inventory reserves	$ 426	$ 3,312
Subtotal	426	3,312
Deferred tax liabilities - current:		
LIFO reserve	(154)	(1,924)
Net deferred tax assets- current	$ 272	$ 1,388
Deferred tax asset - noncurrent		
Excess of book over tax depreciation/amortization	$ 2,691	$ 2,168
Capital loss carryforward	165	165
Net operating loss carryforward	15,121	2,891
Alternative minimum tax credit carryforward	1,138	1,138
Subtotal	$ 19,115	$ 6,362
Valuation Allowance	(545)	--
Total deferred tax assets - noncurrent	$ 18,570	$ 6,362

Realization of the Company's deferred tax assets is dependent on generating sufficient taxable income during the carryforward period. The valuation allowance at January 30, 1999 is primarily attributable to the potential that certain deferred state tax assets will not be realizable. Although realization is not assured, management believes it is more likely than not that all of the remaining deferred tax asset will be realized. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term, if estimates of future taxable income during the carryforward period are reduced. In reaching this determination, management reviewed the Company's historical performance and projections of future results. These projections provide positive evidence of future probable realization of the remaining deferred tax asset within the prescribed carryforward time frame.

The provision (benefit) for income taxes consists of the following:

	FISCAL YEARS ENDING		
	January 30, 1999	January 31, 1998	February 1, 1997
	(In Thousands)		
Current:			
Federal	$ --	$ (12,964)	$ 3,234
State	364	(688)	1,149
	364	(13,652)	4,383
Deferred:			
Federal	(10,006)	(1,639)	(223)
State	(1,086)	(2,208)	(60)
	(11,092)	(3,847)	(283)
Total Provision (Benefit)	$ (10,728)	$ (17,499)	$ 4,100

The following is a reconciliation between the statutory and effective income tax rates:

	FISCAL YEARS ENDING		
	January 30, 1999	January 31, 1998	February 1, 1997
Statutory Federal income tax rate	(35.0%)	(35.0%)	35.0%
State income and other taxes, net of federal tax benefit	(4.4)	(2.6)	5.8
Permanent items and tax credits	--	--	(1.2)
Change in valuation allowance	1.9		--
Effective tax rate	(37.5%)	(37.6%)	39.6%

The Company received an income tax refund of $12,984,000 for fiscal year 1998, and the Company paid income taxes of $195,000 and $2,888,000 during fiscal years 1997 and 1996, respectively. These figures represent the net of payments and receipts. The above refund of $12.9 million related to losses incurred by the Company in fiscal 1997, which were carried back against federal income tax payments in prior years.

During the first quarter of fiscal year 1998, the Internal Revenue Service (IRS) completed an examination of the Company's federal income tax returns for fiscal years 1991 through 1995. Taxes on the adjustments proposed by the IRS, excluding interest, amount to approximately $4.9 million. The IRS has challenged the fiscal tax year in which various income and expense deductions were recognized, resulting in potential timing differences of previously paid federal income taxes. The Company intends to protest the proposed adjustments through the IRS appeals process. The Company believes that these adjustments will be reduced through the appeals process and in the opinion of management, adequate provisions have been made for all income taxes and interest. The Company believes that any adjustments to prior periods that may arise as a result of this process, will not have a material impact on the results of operations or the financial position of the Company.

F. COMMITMENTS AND CONTINGENCIES

At January 30, 1999, the Company was obligated under operating leases covering store and office space, automobiles and certain equipment for future minimum rentals as follows:

	TOTAL
FISCAL	(In Thousands)
1999	$16,847
2000	15,119
2001	12,913
2002	11,108
2003	9,905
Thereafter	10,603
	$76,495

The Company signed a lease for its corporate headquarters in Needham, Massachusetts during fiscal 1995. The term of the lease is for ten years ending in November 2005. The lease provides for the

Company to pay all related costs associated with the land and headquarters building. The Company entered into a lease agreement effective April 1, 1998 to sublease approximately 15,000 square feet to a sublessee for a term of five to eight years. The Company also entered into a second lease agreement effective July 1, 1998 to sublease an additional 15,300 square feet to a sublessee for a term of five to seven years. The Company's commitment under this lease has been reduced by the expected future rental income to be received from the Company's two sublessees.

In addition to future minimum rental payments, many of the store leases include provisions for common area maintenance, mall charges, escalation clauses and additional rents based on percentage of store sales above designated levels.

Amounts charged to operations for the above occupancy costs, automobile and leased equipment expense, excluding a related party lease in the prior years, were $30,480,000, $36,458,000 and $35,921,000 in fiscal years 1998, 1997 and 1996, respectively. Of these amounts charged to operations, $173,000, $402,000 and $780,000 represent payments based upon a percentage of adjusted gross sales as provided in the lease agreement for the fiscal years ended 1998, 1997 and 1996, respectively. In fiscal 1996, occupancy costs included $150,000 which was charged to operations for a related party lease. The Company did not make any payments for occupancy costs to a related party in fiscal 1998 and 1997. See Note H for additional information regarding the related party lease. As a result of the fiscal 1997 and 1998 store closing programs, the Company has eliminated approximately $50 million in minimum store lease obligations since January 31, 1998.

As more fully discussed in Note K, the Company remains principally liable on three leases which were assigned to Levi's Only Stores, Inc., a wholly-owned subsidiary of Levi Strauss & Co., in connection with the sale of the Company's Original Levi's(R) Store(TM) located in Minneapolis, Minnesota and the two Dockers(R) Shops located in Minneapolis, Minnesota and Cambridge, Massachusetts. The store leases in Minneapolis and Cambridge expire in January 2003 and January 2002, respectively.

The Company has employment agreements with each of its executive officers. The initial three year terms of two of the agreements expired on October 16, 1998 and have since then been extended on a year to year basis in accordance with the terms of each agreement. The initial three year term of the third agreement expires on May 9, 2000. Such agreements provide for minimum salary levels, adjusted for cost of living increases as well as bonuses as determined by the Compensation Committee of the Company's Board of Directors. The aggregate commitment for future salaries at January 30, 1999, excluding bonuses, was $806,000.

During fiscal 1998, the Company entered into retention agreements with a group of key associates. Under the terms of the agreements, if the employment of the key associate is terminated, other than for certain causes, during the nine months ending October 1999, that associate may receive salary continuation payments until the earlier of a fixed number of weeks after the date of termination or the date that the associate is again employed. A maximum amount of $1.1 million would be payable if all of the covered associates are terminated within the covered period and if all of them are unable to find new employment during that period.

On December 7, 1998, a consent with respect to 1,570,200 shares of Common Stock executed on behalf of Jewelcor Management, Inc., a Nevada corporation ("Jewelcor"), and its controlling shareholder, Seymour Holtzman, was delivered to the Company for the purpose of removing and replacing the members of the Company's Board of Directors other than Chairman Stanley I. Berger. A preliminary Consent Solicitation Statement was filed on December 7, 1998 by the Holtzman Group with the Securities and Exchange Commission. On December 11, 1998, the Board of Directors of the Company determined to oppose the consent solicitation (the "Consent Solicitation") by Jewelcor and Mr. Holtzman.

The Consent Solicitation expired without the election of any new members to the Company's Board of Directors. Accordingly, Stanley I. Berger, Joel H. Reichman, James G. Groninger, Melvin I. Shapiro, Peter L. Thigpen and Bernard M. Manuel remained in office as members of the Company's Board of Directors following the termination of the Consent Solicitation.

The Company did not enter into any settlement with Jewelcor or Mr. Holtzman terminating the Consent Solicitation.

On December 11, 1998, the Company announced that its Board of Directors had formed a committee of independent outside directors to consider the Company's strategic alternatives, including a possible sale of the Company, with a view towards maximizing shareholder value in the near term. The Company also announced that its Board had determined to oppose a consent solicitation initiated by Jewelcor Management, Inc. and its controlling shareholder, Seymour Holtzman. On February 8, 1999, the Company announced that the stockholder consent solicitation initiated by Jewelor Management, Inc. was not successful.

The Company is also subject to various legal proceedings and claims that arise in the ordinary course of business. Management believes that the resolution of these matters will not have a material adverse impact on the results of operations or the financial position of the Company.

G. STOCK OPTIONS

The Company's Board of Directors and its stockholders previously approved the 1987 Incentive Stock Option Plan (the "Incentive Plan") pursuant to which, as amended, stock options to purchase up to 787,500 shares of Common Stock may be issued to key employees (including executive officers and directors who are employees). The Incentive Plan is administered by the Compensation Committee of the Company's Board of Directors, which designates the optionees, number of shares for each option grant, option prices (which may not be less than fair value on the date of grant), date of grant, vesting schedule (ranging from three to five years) and period of option (which may not be more than ten years). All Incentive Plan options are non-assignable. The Incentive Plan terminates when all shares issuable thereunder have been issued.

The Company's Board of Directors and its stockholders also previously approved the 1987 Non-Qualified Stock Option Plan (the "Non-Qualified Plan") pursuant to which stock options to purchase up to 337,500 shares of Common Stock which are not "incentive stock options" (as defined in Section 422 of the Internal Revenue Code, as amended) may be issued to key employees (including executive officers and directors of the Company) and directors who are not employees of the Company. The Non-Qualified Plan is administered by the Compensation Committee of the Company's Board of Directors, which designates the optionees, number of shares for each option grant, option prices (which may not be less than 85% of the fair market value on the date of grant), date of grant, vesting schedule (ranging from three to five years) and period of option (which may not be more than ten years). All Non-Qualified Plan options are non-assignable. The Non-Qualified Plan terminates when all shares issuable have been issued. Outstanding options under both the Incentive Plan and the Non-Qualified Plan expire seven to ten years after the date of grant.

On April 3, 1992, the Board of Directors adopted the 1992 Stock Incentive Plan (the "1992 Plan"), which became effective on June 9, 1992 when it was approved by the stockholders of the Company. Under the 1992 Plan, as amended, up to 1,850,000 shares of Common Stock may be issued pursuant to "incentive stock options" (as defined in Section 422 of the Internal Revenue Code, as amended), options which are not "incentive stock options," conditioned stock awards, unrestricted stock awards and performance share awards. The 1992 Plan is administered by the Compensation Committee, all of the members of which are non-employee directors. The Compensation Committee makes all determinations with respect to amounts and conditions covering awards under the 1992 Plan. No Incentive Stock Options may be granted under the 1992 Plan after April 2, 2002. Options have never been granted at a price less than fair value on the date of the grant. Options granted to employees, executives and directors typically vest over five, three and three years, respectively, with the exception of the premium priced options issued to the executives which vest over a five year period. Options granted under the 1992 Plan expire ten years from the date of grant. The 1992 Plan terminates when all shares issuable thereunder have been issued.

By written consent dated as of April 28,1997, the Board of Directors authorized an increase in the number of shares issuable under the 1992 Plan to 2,430,000. In addition, the Board of Directors authorized an increase in the number of shares that may be granted during any fiscal year to any individual participant from 75,000 to 270,000 shares, but only if all such stock options have a per share exercise price not less than 200% of fair market value of one share of Common Stock on the date of grant. Furthermore, they authorized the elimination of certain provisions of the 1992 Plan that are no longer required by Rule 16b-3 under the Exchange Act. The stockholders approved this increase and the other amendments to the 1992 Plan at the Annual Meeting held on June 10,1997.

In order to focus management on business performance that creates stockholder value and to reward management only for superior results, the Compensation Committee concluded that an important element of the Company's executive incentive compensation program should be a significant grant of premium priced options to the executive officers of the Company. Accordingly, on April 28, 1997, the Compensation Committee granted premium priced options to purchase a total of 580,000 shares to the Company's four executive officers. Before an executive officer can exercise these options, the price must appreciate to $12.00 per share, which is 140% higher than the closing price of shares of Common Stock on the date of grant. To encourage the executive officers further to achieve superior performance and to create stockholder value within a defined time frame, the premium priced options will be forfeited if within five years from the date of stockholder approval of the 1992 Plan, the per share price of the Common Stock does not close at or above $12.00 for at least five trading days during a period of ten consecutive trading days. In addition, the options are subject to time-based vesting at a rate of 20% per annum over five years. If the option price of $12.00 is reached before the end of five years, the

options will continue in effect for a period of ten years from the date of grant and the five year time-based vesting would continue. The stockholders approved the amendment to the 1992 Plan at the Annual Meeting on June 10, 1997.

A summary of shares subject to the option plans described above is as follows:

1987 Incentive Stock Option Plan

	FISCAL YEAR		
	1998	1997	1996
Outstanding at beginning of year	9,000	97,306	96,339
Options granted	--	--	18,500
Options canceled	--	20,900	6,000
Options exercised	--	67,406	11,533
Outstanding at end of year	9,000	9,000	97,306
Options exercisable at end of year	9,000	9,000	76,406
Common shares reserved for future grants at end of year	--	--	9,105
Weighted average exercise price per option:			
Outstanding at beginning of year	$ 11.17	$ 4.01	$ 3.71
Granted during the year	--	--	$ 6.62
Canceled during the year	--	$ 7.15	$ 11.17
Exercised during the year	--	$ 2.07	$ 2.05
Outstanding at end of year	$ 11.17	$ 11.17	$ 4.01

1987 Non-Qualified Stock Option Plan

	FISCAL YEAR		
	1998	1997	1996
Outstanding at beginning of year	--	76,948	76,948
Options granted	--	--	--
Options canceled	--	--	--
Options exercised	--	76,948	--
Outstanding at end of year	--	--	76,948
Options exercisable at end of year	--	--	76,948
Weighted average exercise price per option:			
Outstanding at beginning of year	--	$ 2.53	$ 2.53
Exercised during the year	--	2.53	--
Outstanding at end of year	--	--	2.53

1992 Stock Incentive Plan

	FISCAL YEAR		
	1998	1997	1996
Outstanding at beginning of year	2,041,749	1,660,400	1,520,050
Options granted	304,478	708,750	301,250
Options canceled	191,649	327,401	160,900
Options exercised	51,353	--	--
Outstanding at end of year	2,103,225	2,041,749	1,660,400
Options exercisable at end of year	1,272,615	1,145,397	937,496
Common shares reserved for future grants at end of year	259,772	372,851	174,200
Weighted average exercise price per option			
Outstanding at beginning of year	$12.02	$ 12.00	12.85
Granted during the year	0.97	10.65	6.72
Canceled during the year	9.09	8.99	10.10
Exercised during the year	1.66	--	--
Outstanding at end of year	10.94	12.02	12.00

The following table summarizes information about stock options outstanding under the 1992 Plan at January 30, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.00 to $2.15	235,875	8.3 years	$ 0.79	--	--
4.30 to 6.45	107,200	7.1 years	4.91	32,933	$ 5.25
6.46 to 8.60	263,300	6.5 years	7.48	158,932	7.56
8.61 to 10.75	175,300	5.5 years	9.86	160,400	9.94
10.76 to 12.90	780,050	6.4 years	11.70	380,050	11.39
12.91 to 15.05	12,000	5.4 years	13.75	12,000	13.75
15.06 to 17.20	111,000	5.2 years	15.36	109,800	15.36
17.21 to 19.35	405,000	4.1 years	18.03	405,000	18.03
19.36 to $21.50	13,500	4.4 years	21.50	13,500	21.50
$ 0.66 to $21.50	2,103,225			1,272,615	

On July 26, 1993 stock options covering an aggregate of 67,500 shares of Common Stock were granted outside of the Incentive Plan, the Non-Qualified Plan and the 1992 Plan to the non-employee directors of the Company. Each of these options has an exercise price of $17.50 per share and each remained outstanding at January 30, 1999. These options become exercisable in three equal installments commencing twelve months following the date of grant and have a 10 year term.

When shares are sold within one year of exercise or within two years from date of grant, the Company derives a tax deduction measured by the excess of the market value over the option price at the date the shares are sold, which approximated $18,256 and $27,980 in fiscal years 1997 and 1996, respectively. There was no tax deduction taken for fiscal 1998.

The Company applies APB Opinion No. 25 and related Interpretations in accounting for its plans. FASB Statement No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") was issued by the FASB in 1995

and requires the Company to elect either expense recognition under SFAS 123 or its disclosure-only alternative for stock-based employee compensation. The Company has elected the disclosure-only alternative and accordingly no compensation cost has been recognized. The Company has disclosed the pro forma net income or loss and per share amounts using the fair value based method.

Had compensation costs for the Company's grants for stock-based compensation been determined consistent with SFAS 123, the Company's net income (loss), and earnings (loss) per share would have been reduced to the pro forma amounts indicated below:

	FISCAL YEARS ENDED		
(In Thousands, Except per Share Amounts)	January 30, 1999	January 31, 1998	February 1, 1997
Net income (loss)- as reported	$ (18,541)	$ (29,063)	$ 6,264
Net income (loss)- pro forma	$ (18,782)	$ (29,383)	$ 5,933
Earnings (loss) per share- basic and diluted as reported	$ (1.17)	$ (1.86)	$ 0.40
Earnings (loss) per share- basic and diluted pro forma	$ (1.19)	$ (1.88)	$ 0.38

The effects of applying SFAS 123 in this pro-forma disclosure are not likely to be representative of the effects on reported net income for future years. SFAS 123 does not apply to awards prior to 1995 and additional awards are anticipated.

The fair value of each option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 1998, 1997 and 1996: expected volatility of 92.8% in fiscal 1998, 63.97% in fiscal 1997 and 51.96% in fiscal 1996; risk free interest rate of 5.0%, 6.2% and 6.3% in fiscal 1998, 1997 and 1996, respectively; and expected lives of 4.5 years. No dividend rate was used for fiscal 1998, 1997 and 1996. The weighted average fair value of options as well as restricted stock granted in fiscal 1998, 1997 and 1996 was $0.97, $1.93 and $3.35, respectively.

H. RELATED PARTIES

Until April 30, 1996, the Company leased its headquarters in Chestnut Hill, Massachusetts, from Durban Trust, a nominee trust of which the sole beneficiary is a partnership affiliated with Stanley I. Berger, the Chairman of the Board of the Company, and Calvin Margolis, a former executive officer and director of the Company. The general partner of the beneficiary is a corporation controlled by Mr. Berger and the estate of Mr. Margolis, and the only limited partners of the beneficiary are Mr. Berger and the estate of Mr. Margolis, individually. When the lease expired April 30, 1996 the Company moved its headquarters to Needham, Massachusetts. See Note F. There were no rent payments made to Durban Trust in fiscal 1998 or fiscal 1997. Total rent paid to Durban Trust in fiscal 1996 was approximately $150,000. The Company believes that the lease arrangements between the Company and Durban Trust were on terms at least as favorable to the Company as it would have expected to receive from a landlord unrelated to the Company, Mr. Berger or the estate of Mr. Margolis for office facilities of equal quality.

I. EMPLOYEE BENEFIT PLANS

The Company has a defined contribution 401(k) plan that covers all eligible employees who have completed one year of service. Under this plan, the Company may provide matching contributions up to a stipulated percentage of employee contributions. The expenses of the plan are fully funded by the Company; and the matching contribution, if any, is established each year by the Board of Directors. For fiscal 1998, the matching contribution by the Company was set at 50% of contributions by eligible employees up to a maximum of 6% of salary. The Company recognized $241,000, $279,000 and $231,000 of expense under this plan in fiscal 1998, 1997 and 1996, respectively.

J. RESTRUCTURING

During the third quarter of fiscal 1998, the Company announced its plans to close, through lease terminations and expirations, 14 unprofitable Designs stores, eight unprofitable Boston Trading Co.(R)/BTC(TM) stores and eight Original Levi's Stores(TM) operated by the OLS Partnership, see Note K below. This store closing strategy resulted in the Company recording a pre-tax charge of $13.4 million. The total revised estimated cost to close these stores is $10.5 million, which is $2.9 million less than the original charge, primarily due to favorable landlord negotiations on lease termination payments. As a result, the Company recognized pre-tax income of $2.9 million in the fourth quarter of fiscal 1998. Total estimated cash costs are $4.2 million related to lease terminations, employee severance and other related expenses. The remainder of the $10.5 million charge consists of non-cash costs of approximately $6.3 million primarily related to store fixed asset write-offs. All of these stores were closed by the end of fiscal 1998. At January 30, 1999, the remaining reserve balance related to these store closings is $1.9 million which primarily relates to landlord settlements and severance payments that will be paid in fiscal 1999.

During the fourth quarter of fiscal 1998, the Company recorded an additional pre-tax store closing and severance charge of $5.2 million related to the decision to close three BTC(TM) stores, one Designs mall store, and four Boston Traders(R) Outlet stores and to further reduce corporate headcount. This charge included cash costs of approximately $2.9 million related to lease terminations and corporate severance, and $2.3 million of non-cash costs related to store fixed asset write-offs and markdowns. Merchandise markdowns of approximately $800,000 were included in cost of goods sold for the fiscal year ending January 30, 1999. The remaining amount related to lease termination costs, fixed asset write-offs and severance were included in the charges for severance and store closings on the Company's Consolidated Statement of Operations for the year ended January 30, 1999. The total charge of $5.2 million was reserved on the consolidated balance sheet at January 30, 1999.

In the second quarter of fiscal 1997, the Company recorded a pre-tax charge of $20 million related to its shift in strategy away from the vertically integrated Boston Traders(R) private label concept to a strategy with greater emphasis on name brands. This decision involved the liquidation of Boston Traders(R) brand products, the closure of the Company's New York City product development office and the closure of 17 Designs stores and 16 Boston Traders(R) Outlet stores. Total actual costs to close related to this shift in strategy and the closure of the stores was $19.9 million which included cash costs of $6.0 million related to lease terminations, the cost of canceling private label fabric commitments, severance associated with the closing of the New York office, and other miscellaneous expenses. The remainder of the $19.9 million charge consisted of non-cash costs of approximately $13.9 million, which included $12.4 million of markdowns at cost related to the liquidation of Boston Traders(R) brand product and $1.5 million for write-offs of store fixed assets. Merchandise markdowns and costs associated with the cancellation of fabric commitments, which total approximately $13.9 million, were included in cost of goods sold for the fiscal year ending January 31, 1998. The remaining amounts related to lease termination costs, asset impairment charges, severance and other costs, were included in the restructuring charge on the Company's Consolidated Statements of Operations for the year ending January 31, 1998. The remaining reserve balance at January 31, 1998 was $1.3 million. There was no remaining reserve balance related to this $20 million charge at January 30, 1999.

In the fourth quarter of fiscal year 1997, the Company incurred an additional pre-tax charge of $1.6 million relating primarily to severance, benefits and other costs associated with a reduction in its home office and field staff. This reduction in force resulted in the elimination of 47 positions, or approximately 25%, of the Company's headquarters and field management staff. This charge was included in the restructuring charge in the Company's Consolidated Statements of Operations for the year ended January 31, 1998. Total actual costs related to this reduction in staff were $1.4 million as compared to the original charge of $1.6 million. The remaining reserve balance at January 31, 1998 was $1.3 million There was no reserve balance remaining related to this charge at January 30, 1999.

K. FORMATION OF JOINT VENTURE

On January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company ("Designs JV Subsidiary"), and LDJV Inc., a subsidiary of Levi's Only Stores, Inc. ("LOS"), which is a wholly-owned subsidiary of Levi Strauss & Co., entered into a partnership agreement (the "Partnership Agreement"). The purpose of the Partnership Agreement was to sell Levi's(R) brand jeans and jeans-related products in Original Levi's Stores(R) and Levi's(R) Outlet stores in a specified territory. The joint venture established under the Partnership Agreement is known as The Designs/OLS Partnership (the "OLS Partnership").

In October 1998, the Company announced that it had reached an agreement with LOS to dissolve and wind up the OLS Partnership. Pursuant to this agreement the OLS Partnership distributed to the Designs JV subsidiary 11 Levi's(R) Outlet stores, with a net book value of approximately $6.3 million. In addition, the OLS Partnership distributed three Original Levi's Stores(R) to LDJV Inc. The net book value of these three Original Levi's Stores(R) was approximately $5.5 million, which was greater than LDJV Inc.'s equity interest in the OLS Partnership. Consequently, LDJV Inc. made a $2.9 million capital contribution of cash to the OLS Partnership at October 31, 1998.

In connection with the plan to dissolve and wind up the OLS Partnership, the OLS partnership recorded a pre-tax charge of $4.5 million related to the closing of the eight Original Levi's Stores(R) that it did not distribute. This $4.5 million charge is included in the total $13.4 million charge recorded by the Company and discussed in Note J above. The total estimated costs to close these stores is $1.3 million less then the original charge, primarily due to favorable landlord negotiations on lease termination payments. This $1.3 million was part of the total $2.9 million recognized as restructuring income in fiscal 1998, see Note J above.

L. OUTLET STORE ACQUISITION

On September 30, 1998, the Company completed the acquisition of 25 outlet stores from LOS for a purchase price of approximately $9.7 million. These stores, 16 of which now operate under the names "Dockers(R) Outlet by Designs" and nine of which operate under the name "Levi's(R) Outlet by Designs", are located in the eastern United States. A portion of the purchase price for these stores, approximately $5.1 million, was for inventory. The remainder of the purchase price, approximately $4.6 million, was for fixed assets associated with these stores. The Company also assumed the obligations associated with the real estate leases for the stores.

M. PRO-FORMA RESULTS OF OPERATIONS

The following pro-forma summary presents the consolidated results of operations of the Company, adjusted for: (a) the acquisition of the 25 outlet stores, and (b) 30% of the earnings of the 11 Levi's(R) Outlet stores that were distributed by the OLS Partnership.

The results of operations for fiscal 1998 include actual results of operations since September 30, 1998 of the 25 outlet stores acquired from LOS. The following pro-forma results have been adjusted to include results of operations for these stores for the period November 3, 1996 through September 30, 1998.

In addition, the results of operations for fiscal 1998 include the results of operations for the 11 Levi's(R) Outlet stores that were owned and operated by the OLS Partnership until October 31,1998. The following pro-forma results have been adjusted to assume that these 11 stores were wholly-owned by the Company for the period November 1, 1996 through January 31, 1999.

(In thousands, except per share data)	Fiscal 1998	Fiscal 1997
Revenue	$ 213,347	$291,973
Net income (loss)	(18,186)	26,856
Net income (loss) per share	$ (1.15)	$ (1.72)

N. SEGMENT DISCLOSURES

In fiscal 1998, the Company adopted Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires the Company to report information about its operating segments.

During fiscal 1998, the Company completed the following transactions:

- The Company acquired 16 Dockers(R) Outlet and nine Levi's(R) Outlet stores.
- The Company received a distribution of 11 additional Levi's(R) Outlet stores from the OLS Partnership.
- The Company announced plans to dissolve and wind up the OLS Partnership.
- The Company closed 30 unprofitable stores.

As a result of these transactions, the Company now operates and manages its business under two reportable store segments (i) Outlet Store group and (ii) Specialty Store Group. Closed stores and other includes the operations of all stores closed through the end of fiscal 1998 and stores that are expected to close through the second quarter of fiscal 1999.

Outlet Store Group: At January 30, 1999, this store group included the Company's 59 Levi's(R) Outlet by Designs stores, the 25 acquired Dockers(R) and Levi's(R) outlet stores, the 11 Levi's(R) Outlet stores that were previously owned and operated by OLS Partnership through October 31, 1998 and five Buffalo Factory Jeans Outlet Stores. These outlet stores all operate in outlet parks located primarily in the Eastern United States and primarily sell close out and end of season merchandise from vendors.

Specialty Store Group: At January 30, 1999, this store group consisted of the five remaining Designs/BTC(TM) stores that the Company intends to operate through fiscal 1999. These stores are located in enclosed regional shopping centers and offer a broad selection of Levi Strauss & Co. branded merchandise with complementary brands of tops and bottoms.

Closed Stores and Other: This group included the Designs, Boston Trading Co.(TM) and Boston Traders(R) Outlet stores that were closed as part of the fiscal 1997 and fiscal 1998 store closing programs. The operations of the three Original Levi's Stores(TM) that were distributed to LDJV, Inc in October 1998 and the operations of the eight Original Levi's Stores(TM) that were closed in fiscal 1998 are included in this group. The four Boston Traders(R) Outlet stores, three BTC(TM) and one Designs store that are all expected to close by the end of the second quarter of fiscal 1999 are also included in Closed Stores and Other.

The accounting policies of the reportable segments are the same as those described in Note A. The Company evaluates individual store profitability in terms of a store's "Contribution to Profit" which is defined by the Company as merchandise margin less occupancy costs and all store specific expenses such as payroll, advertising, insurance and depreciation. The Company may transfer end of season merchandise from its Specialty stores to its Outlet stores. In fiscal 1998, approximately 5% of the Outlet stores receipts were from transferred merchandise. The Company transfers merchandise at the receiving store's retail price with any associated markdowns being recorded by the sending store.

Below is a summary of the results of operations for the Outlet Store Group, Specialty Store Group and Closed Stores and Other for the three years ended January 30, 1999:

For the year ended January 30, 1999

(in thousands)	Outlets	Specialty	Closed and Other	Total
Sales	$ 153,581	$ 8,718	$ 39,335	$ 201,634
Merchandise margin	63,148	2,618	10,310	76,076
Occupancy costs	18,974	1,868	12,985	33,827
Gross profit (loss)	44,174	750	(2,675)	42,249
Depreciation/amortization	3,197	740	3,383	7,320
Contribution to profit	18,840	(978)	(15,848)	2,014
Charges for severance and store closings			(15,700)	(15,700)
Segment Assets:				
Inventories	53,146	1,802	2,977	57,925
Fixed assets, net	10,026	584	7,178	17,788
Capital expenditures	18	--	492	510

For the year ended January 31, 1998

(in thousands)	Outlets	Specialty	Closed and Other	Total
Sales	$ 177,326	$ 10,141	$ 78,259	$ 265,726
Merchandise margin	69,578	2,401	6,628(1)	78,607
Occupancy costs	17,396	1,824	21,029	40,249
Gross profit (loss)	52,182	577	(14,401)(1)	38,358
Depreciation/amortization	3,162	402	5,232	8,796
Contribution to profit	24,322	(1,338)	(21,782)	1,202
Charges for severance and store closings			(21,600)	(21,600)
Segment Assets:				
Inventories	38,122	2,394	14,456	54,972
Fixed assets, net	7,574	1,199	26,534	35,307
Capital expenditures	517	--	7,245	7,762

(1) Included in the $21.6 million charge related to the liquidation of the Boston Traders(R) brand product is $13.9 of markdown and fabric cancellation reserves, which were included in gross margin.

For the year ended February 1, 1997

(in thousands)	Outlets	Specialty	Closed and Other	Total
Sales	$ 195,110	$ 10,645	$ 83,838	$ 289,593
Merchandise margin	90,623	3,722	30,205	124,550
Occupancy costs	16,558	1,665	20,098	38,321
Gross profit	74,065	2,057	10,107	86,229
Depreciation/amortization	3,031	402	4,980	8,413
Contribution to profit	46,628	238	(14,347)	32,519
Segment Assets:				
Inventory	45,950	2,168	31,840	79,958
Fixed assets, net	9,990	1,674	27,552	39,216
Capital expenditures	2,172	7	10,111	12,290

Reconciliation of Contribution to Profit to Operating Income (Loss)

(in thousands)	Fiscal 1998	Fiscal 1997	Fiscal 1996
Contribution to Profit:			
Outlet store segment	$ 18,840	$ 24,322	$ 46,628
Specialty store segment	(978)	(1,338)	238
Closed store and other	(15,848)	(21,782)	(14,347)
Charges for severance and store closings	(15,700)	(21,600)	--
General and administrative expenses	(16,700)	(25,781)	(22,629)
Total operating income (loss)	$ (30,386)	$ (46,179)	$ 9,890

Reconciliation of depreciation/amortization to Consolidated Statements of Operations

(in thousands)	Fiscal 1998	Fiscal 1997	Fiscal 1996
Segment depreciation/amortization	$ 7,320	$ 8,796	$ 8,413
Corporate depreciation/amortization	2,409	2,438	1,990
Total depreciation/amortization per Consolidated Statements of Operations	$ 9,729	$ 11,234	$ 10,403

O. SHAREHOLDERS RIGHTS PLAN

On May 1, 1995, the Board of Directors of the Company adopted a Shareholder Rights Plan. Pursuant to the Plan, the Company entered into a Shareholder Rights Agreement ("Rights Agreement") between the Company and its transfer agent, Boston EquiServe, the successor to The First National Bank of Boston, the Company's transfer agent. Pursuant to the Rights Agreement, the Board of Directors declared a dividend distribution of one preferred stock purchase right (the "Right(s)") for each outstanding share of the Company's Common Stock to stockholders of record as of the close of business on May 15, 1995. Initially, these Rights are not exercisable and will trade with the shares of the Company's Common Stock. In the event that a person becomes an "Acquiring Person" or is declared an "Adverse Person" as each such term is defined in the Rights Agreement, each holder of a Right (other than the Acquiring Person or the Adverse Person) would be entitled to acquire such number of

shares of preferred stock which are equivalent to the Company's Common Stock having a value of twice the then-current exercise price of the Right. If the Company is acquired in a merger or other business combination transaction after any such event, each holder of a Right would then be entitled to purchase, at the then-current exercise price, shares of the acquiring company's Common Stock having a value of twice the exercise price of the Right.

On October 6, 1997, the Board of Directors approved an amendment to the Rights Agreement, pursuant to which the definition of an "Acquiring Person" was amended. The definition of Acquiring Person now allows a person who is and continues to be permitted to file Schedule 13G, in lieu of Schedule of 13D, pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, to be a beneficial owner of less than 20% of the shares of the Company's Common Stock then outstanding without becoming an "Acquiring Person".

P. SELECTED QUARTERLY DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR
	(In Thousands, Except Per Share Data)				
FISCAL YEAR 1998					
Net Sales	$ 43,400	$ 47,078	$ 58,714	$ 52,442	$ 201,634
Gross Profit	9,376	9,337	13,467	10,069	42,249
Net Income (Loss) (1)	(3,052)	(3,094)	(8,746)	(3,649)	(18,541)
Earnings per Share - Basic	(0.19)	(0.20)	(0.55)	(0.23)	(1.17)
Earnings per Share - Diluted	(0.19)	(0.20)	(0.55)	(0.23)	(1.17)
FISCAL YEAR 1997					
Net Sales	$ 55,470	$ 64,543	$ 77,459	$ 68,254	$ 265,726
Gross Profit	13,486	(2,585)	18,800	8,657	38,358
Net Income (Loss) (2)	(3,184)	(16,581)	(567)	(8,732)	(29,063)
Earnings per Share - Basic	(0.20)	(1.06)	(0.04)	(0.56)	(1.86)
Earnings per Share - Diluted	(0.20)	(1.06)	(0.04)	(0.56)	(1.86)

(1) The results of the fourth quarter of fiscal 1998 includes a pre-tax charge, net, for store closings and severance of $2.3 million.

(2) The results for the fourth quarter of fiscal 1997 include approximately $7.6 million pre-tax adjustments related to shrink, reserves for vendor discussions regarding receipt and payment of inventory, the Company's reduction in force and a charge for impairment of long-lived assets.

Historically, the Company has experienced seasonal fluctuations in net sales, gross profit and net income, with increases occurring during the Company's third and fourth quarters as a result of "Fall" and "Holiday" seasons. As the Company's percentage of outlet business increases in relation to total sales, the Company expects that the third and fourth quarters will decrease as a percentage to total sales. Quarterly sales comparisons are not necessarily indicative of actual trends, since such amounts also reflect the addition of new stores, closing of stores and the remodeling of stores during these periods.

OTHER SHAREHOLDER INFORMATION

Board of Directors

Stanley I. Berger
Chairman of the Board of Directors

James G. Groninger
President
The BaySouth Company

Bernard M. Manuel
Chairman of the Board and Chief Executive Officer
Cygne Designs, Inc.

Joel H. Reichman
President and Chief Executive Officer

Melvin I. Shapiro
Retired Partner
Tofias, Fleishman & Shapiro & Co., P.C.

Peter L. Thigpen
Partner
Executive Reserves

Executive Officers

Joel H. Reichman
President and Chief Executive Officer

Scott N. Semel
Executive Vice President
General Counsel and Secretary

Carolyn R. Faulkner
Vice President
Chief Financial Officer and Treasurer

Corporate Officers

Lisa Brennan
Vice President
Planning

Alan B. Gruber
Vice President
Director of Stores

George F. Cavedon
Regional Vice President

Jan Falcione
Regional Vice President

Martin Goldstein
Vice President
Construction and Design

Anthony E. Hubbard
Vice President
Deputy General Counsel and Assistant Secretary

Ben P. Lentini
Vice President
General Merchandise Manager

Shelly E. Mokas
Controller

Daniel O. Paulus
Vice President
General Merchandise Manager

Mary Ann Ryan
Vice President
Human Resources

Bob Wilbur
Vice President
Technology and Information Systems

Corporate Offices
66 B Street
Needham, MA 02494
(781) 444-7222

Financial Information

Requests for financial information should be directed to the Investor Relations Department at the Company's headquarters: Designs, Inc., 66B Street, Needham, MA 02494, (781) 444-7222. A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999, filed with the Securities and Exchange Commission, may be obtained without charge upon request to the Investor Relations Department.

Approximate reporting dates for fiscal year 1999 quarterly earnings are:

Quarter 1:	May 17, 1999
Quarter 2:	July 16, 1999
Quarter 3:	November 15, 1999
Quarter 4 and fiscal year end:	March 20, 2000

Transfer Agent and Registrar

Inquiries regarding stock transfer requirements, address changes and lost stock certificates should be directed to:

BankBoston
c/o Boston EquiServe Limited Partnership
P.O. Box 8040
Boston, MA 02266-8040
(781) 575-3120

Independent Accountants

Arthur Andersen LLP
Boston, Massachusetts

Trademarks

Boston Trading Co.(R) and Boston Traders(R) are registered trademarks of Designs, Inc.

Levi's(R), Dockers(R) and Slates(R) are registered trademarks, and Original Levi's Store(R) is a trademark, of Levi Strauss & Co.

Buffalo Jeans(R) is a registered trademark of Buffalo DeFrance

BY-LAWS
OF
DESIGNS, INC.

Section 1. CERTIFICATE OF INCORPORATION AND BY-LAWS

1.1 These By-Laws are subject to the Certificate of Incorporation of the Corporation. In these By-Laws, references to the Certificate of Incorporation and By-Laws mean the provisions of the Certificate of Incorporation and the By-Laws as are from time to time in effect.

Section 2. OFFICES

2.1 Registered Office. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

2.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 3. STOCKHOLDERS

3.1 Location of Meetings. All meetings of the stockholders shall be held at such place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors. Any adjourned session of any meeting shall be held at the place designated in the vote of adjournment.

3.2 Annual Meeting. The annual meeting of stockholders shall be held for the election of directors on the second Tuesday in June in each year, unless that day be a legal holiday at the place where the meeting is to be held, in which case the meeting shall be held at the same hour on the next succeeding day not a legal holiday, or at such other date and time as shall be designated from time to time by the Board of Directors. Any other business as may be required or permitted by law or these By-Laws may properly come before the annual meeting.

3.3 Special Meeting in Place of Annual Meeting. If the election for directors shall not be held on the day designated by these By-Laws, the directors shall cause the election to be held as soon thereafter as convenient, and to that end, if the annual meeting is omitted on the day herein provided therefor or if the election of directors shall not be held thereat, a special meeting of the stockholders may be held in place of such omitted meeting or election, and any business transacted or election held at such special meeting shall have the same effect as if transacted or held at the annual meeting, and in such case all references in these By-Laws to the annual meeting of the stockholders, or to the annual election of directors, shall be deemed to refer to or include such special

meeting. Any such special meeting shall be called and the purposes thereof shall be specified in the call, as provided in Section 3.4.

3.4 Notice of Annual Meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Such notice may specify the business to be transacted and actions to be taken at such meeting. No action shall be taken at such meeting unless such notice is given, or unless waiver of such notice is given by the holders of outstanding stock having not less than the minimum number of votes necessary to take such action at a meeting at which all shares entitled to vote thereon were voted. Prompt notice of all action taken in connection with such waiver of notice shall be given to all stockholders not present or represented at such meeting.

3.5 Special Meetings. Except as otherwise required by law and subject to the rights, if any, of the holders of any series of preferred stock, special meetings of the stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office.

3.6 Notice of Special Meeting. Written notice of a special meeting of stockholders stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. No action shall be taken at such meeting unless such notice is given, or unless waiver of such notice is given by the holders of outstanding stock having not less than the minimum number of votes necessary to take such action at a meeting at which all shares entitled to vote thereon were voted. Prompt notice of all action taken in connection with such waiver of notice shall be given to all stockholders not present or represented at such meeting.

3.7 Stockholder List. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

3.8 Quorum of Stockholders. The holders of a majority of the

stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise required by law, or by the Certificate of Incorporation or by these By-Laws. Except as otherwise provided by law, no stockholder present at a meeting may withhold his shares from the quorum count by declaring his shares absent from the meeting.

3.9 Adjournment. Any meeting of stockholders may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these By-Laws, which time and place shall be announced at the meeting, by a majority of votes cast upon the question, whether or not a quorum is present. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

3.10 Proxy Representation. Every stockholder may authorize another person or persons to act for him by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, objecting to or voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by his attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. Except as otherwise provided by law, a stockholder may revoke any proxy which is not irrevocable by attending the meeting for which the proxy was given and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. The authorization of a proxy may but need not be limited to specified action, provided, however, that if a proxy limits its authorization to a meeting or meetings of stockholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof.

3.11 Inspectors. The directors or the person presiding at the meeting may, but need not, appoint one or more inspectors of election and any substitute inspectors to act at the meeting or any adjournment thereof. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine

the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them.

3.12 Action by Vote. When a quorum is present at any meeting, whether the same be an original or an adjourned session, a plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than an election to an office shall decide the question, except when a larger vote is required by law, by the Certificate of Incorporation or by these By-Laws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

3.13 Action Without Meetings. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

3.14 Matters to be Considered at Annual Meetings. At any annual meeting of stockholders or any special meeting in lieu of annual meeting of stockholders (for purposes of this Section 3.14 and Section 4.16 hereof, hereinafter referred to as an "Annual Meeting"), only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before such Annual Meeting. To be considered as properly brought before an Annual Meeting, business must be: (a) specified in the notice of the Annual Meeting, (b) otherwise properly brought before the annual meeting by, or at the direction of, the Board of Directors, or (c) otherwise properly brought before the Annual Meeting by any holder of record (both as of the time notice of such proposal is given by the stockholder as set forth below and as of the record date for the Annual Meeting in question) of any shares of capital stock of the Corporation entitled to vote at such Annual Meeting who complies with the requirements set forth in this Section 3.14.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder of record of any shares of capital stock entitled to vote at such Annual Meeting, such stockholder shall: (i) give timely notice as required by this Section 3.14 to the Secretary of the Corporation and (ii) be present at such Annual Meeting, either in person or by a representative. A stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than seventy-five days nor more than one hundred twenty days prior to the anniversary date of the immediately preceding Annual Meeting (for purposes of this Section 3.14 and Section 4.16 hereof, hereinafter referred to as the "Anniversary Date"); provided, however, that in the event the Annual Meeting is scheduled to be held on a date more than thirty days before the Anniversary Date or more than sixty days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (A) the seventy-fifth day prior to the scheduled date of such Annual Meeting or (B) the fifteenth day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation.

For purposes of these By-Laws, "public announcement" shall mean: (i) disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service, (ii) a report or other document filed publicly with the Securities and Exchange Commission (including, without limitation, a Form 8-K), or (iii) a letter or report sent to all stockholders of record of the Corporation at the time of the mailing of such letter or report.

A stockholder's notice to the Secretary shall set forth as to each matter proposed to be brought before an Annual Meeting: (i) a brief description of the business the stockholder desires to bring before such Annual Meeting and the reasons for conducting such business at such Annual Meeting, (ii) the name and address, as they appear on the Corporation's stock transfer books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation' s capital stock beneficially owned by the stockholder proposing such business, (iv) the names and addresses of the beneficial owners, if any, of any capital stock of the Corporation registered in such stockholder's name on such books, and the class and number of shares of the Corporation's capital stock beneficially owned by such beneficial owners, (v) the names and addresses of other stockholders known by the stockholder proposing such business to support such proposal, and the class and number of shares of the Corporation's capital stock beneficially owned by such other stockholders, and (vi) any material interest of the stockholder proposing to bring such business before such meeting (or any other stockholders known to be supporting such proposal) in such proposal.

If the Board of Directors or a designated committee thereof

determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 3.14 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 3.14 in any material respect, such proposal shall not be presented for action at the Annual Meeting in question. If neither the Board of Directors nor such committee makes a determination as to the validity of any stockholder proposal in the manner set forth above, the presiding officer of the Annual Meeting shall determine whether the stockholder proposal was made in accordance with the terms of this Section 3.14. If the presiding officer determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 3.14 or that the information provided in a stockholders notice does not satisfy the information requirements of this Section 3.14 in any material respect, such proposal shall not be presented for action at the Annual Meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a stockholder proposal was made in accordance with the requirements of this Section 3.14, the presiding officer shall so declare at the Annual Meeting and ballots shall be provided for use at the Annual Meeting with respect to such proposal.

Notwithstanding the foregoing provisions of this Section 3.14, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder with respect to the matters set forth in this Section 3.14, and nothing in this Section 3.14 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation' s proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 4. DIRECTORS

4.1 Number; Qualifications. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

4.2 Election; Vacancies. The Board of Directors shall initially consist of persons elected as such by the incorporator. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors to replace those directors whose terms then expire. Vacancies and any newly created directorships resulting from any increase in the number of directors may be filled by vote of the stockholders at a meeting called for the purpose, or by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. When one or more directors shall resign from the Board, effective at a future date, a majority of the directors then in office, including those who have resigned, shall have power to fill such vacancy or vacancies, the vote or action by writing thereon to take effect when such resignation or resignations shall become effective. The directors shall have and may

exercise all their powers notwithstanding the existence of one or more vacancies in their number, subject to any requirements of law or of the Certificate of Incorporation or of these By-Laws as to the number of directors required for a quorum or for any vote or other actions.

4.3 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, each director shall hold office until the next annual meeting and until his successor is elected and qualified, or until he sooner dies, resigns, is removed or becomes disqualified.

4.4 Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which shall have and may exercise all the powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these By-Laws directed or required to be exercised or done by the stockholders.

4.5 Committees. The Board of Directors may, by vote of a majority of the whole Board, (a) designate, change the membership of or terminate the existence of any committee or committees, each committee to consist of one or more of the directors; (b) designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member at any meeting of the committee; and (c) determine the extent to which each such committee shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, including the power to authorize the seal of the Corporation to be affixed to all papers which require it and the power and authority to declare dividends or to authorize the issuance of stock; excepting, however, such powers which by law, by the Certificate of Incorporation or by these By-Laws they are prohibited from so delegating. In the absence or disqualification of any member of such committee and his alternate, if any, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the Board or such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these By-Laws for the conduct of business by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors upon request.

4.6 Regular Meeting. Regular meetings of the Board of Directors may be held without call or notice at such place within or without the State of Delaware and at such times as the Board may from time to time determine, provided that notice of the first regular meeting following any such determination shall be given to absent directors. A regular meeting of the directors may be held without

call or notice immediately after and at the same place as the annual meeting of the stockholders.

4.7 Special Meetings. Special meetings of the Board of Directors may be held at any time and at any place within or without the State of Delaware designed in the notice of the meeting, and may be called only by the Secretary upon the request of persons constituting a majority of the Special Committee of the Board of directors formed by resolution adopted by the Board of Directors on December 1, 1998, reasonable notice thereof being given to each director by the Secretary or any member of such Special Committee.

4.8 Notice. It shall be reasonable and sufficient notice to a director to send notice by mail at least forty-eight hours or by telegram at least twenty-four hours before the meeting, addressed to him at his usual or last known business or residence address or to give notice to him in person or by telephone at least twenty-four hours before the meeting. Notice of a meeting need not be given to any director if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

4.9 Quorum. Except as may be otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, at any meeting of the directors a majority of the directors then in office shall constitute a quorum; a quorum shall not in any case be less than one-third of the total number of directors constituting the whole Board. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

4.10 Action by Vote. Except as may be otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, when a quorum is present at any meeting the vote of a majority of the directors present shall be the act of the Board of Directors.

4.11 Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all the members of the Board or of such committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the records of the meetings of the Board or of such committee. Such consent shall be treated for all purposes as the act of the Board or of such committee, as the case may be.

4.12 Participation in Meetings by Conference Telephone. Unless otherwise restricted by the Certificate of Incorporation or these By-

Laws, members of the Board of Directors or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Such participation shall constitute presence in person at such meeting.

4.13 Compensation. Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, the Board of Directors shall have the authority to fix from time to time the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and the performance of their responsibilities as directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and/or a stated salary as director. No such payment shall preclude any director from serving the Corporation or its parent or subsidiary corporations in any other capacity and receiving compensation therefor. The Board of Directors may also allow compensation for members of special or standing committees for service on such committees.

4.14 Interested Directors and Officers.

(a) No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of the Corporation's directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders.

(b) Common or interested directors may be counted in

determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

4.15 Resignation or Removal of Directors. Unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the stock issued and outstanding and entitled to vote at an election of directors. Any director may resign at any time by delivering his resignation in writing to the President or the Secretary or to a meeting of the Board of Directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time; and without in either case the necessity of its being accepted unless the resignation shall so state. No director resigning and (except where a right to receive compensation shall be expressly provided in a duly authorized written agreement with the Corporation) no director removed shall have any right to receive compensation as such director for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise; unless in the case of a resignation, the directors, or in the case of removal, the body acting on the removal, shall in their or its discretion provide for compensation.

4.16 Director Nominations. Nominations of candidates for election as directors of the Corporation at any Annual Meeting may be made only (a) by, or at the direction of, a majority of the directors then in office or (b) by any holder of record (both as of the time notice of such nomination is given by the stockholder as set forth below and as of the record date for the Annual Meeting in question) of any shares of the capital stock of the Corporation entitled to vote at such Annual Meeting who complies with the timing, informational and other requirements set forth in this Section 4.16. Any stockholder who has complied with the timing, informational and other requirements set forth in this Section 4.16 and who seeks to make such a nomination, or such stockholder's representative, must be present in person at the Annual Meeting. Only persons nominated in accordance with the procedures set forth in this Section 4.16 shall be eligible for election as directors at an Annual Meeting.

Nominations, other than those made by, or at the direction of, the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 4.16. A stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than seventy-five days nor more than one hundred twenty days prior to the Anniversary Date; provided, however, that in the event the Annual Meeting is scheduled to be held on a date more than thirty days before the Anniversary Date or more than sixty days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed and received by, the Corporation at its principal executive office not later than the close of business on

the later of (i) the seventy-fifth day prior to the scheduled date of such Annual Meeting or (ii) the fifteenth day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation.

A stockholder's notice to the Secretary shall set forth as to each person whom the stockholder proposes to nominate for election or re-election as a director: (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation' s capital stock which are beneficially owned by such person on the date of such stockholder notice, and (iv) the consent of each nominee to serve as a director if elected. A stockholder' s notice to the Secretary shall further set forth as to the stockholder giving such notice: (i) the name and address, as the appear on the Corporation's stock transfer books, of such stockholder and of the beneficial owners (if any) of the Corporation's capital stock registered in such stockholder' s name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s), (ii) the class and number of shares of the Corporation's capital stock which are held of record, beneficially owned or represented by proxy by such stockholder and by any other stockholders known by such stockholder to be supporting such nominee(s) on the record date for the Annual Meeting in question (if such date shall then have been made publicly available) and on the date of such stockholder' s notice, and (iii) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder.

If the Board of Directors or a designated committee thereof determines that any stockholder nomination was not made in accordance with the terms of this Section 4.16 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 4.l6 in any material respect, then such nomination shall not be considered at the Annual Meeting in question. If neither the Board of Directors nor such committee makes a determination as to whether a nomination was made in accordance with the provisions of this Section 4.16, the presiding officer of the Annual Meeting shall determine whether a nomination was made in accordance with such provisions. If the presiding officer determines that any stockholder nomination was not made in accordance with the terms of this Section 4.16 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 4.16 in any material respect, then such nomination shall not be considered at the Annual Meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a nomination was made in accordance with the terms of this Section 4.16, the presiding officer shall so declare at the Annual Meeting and ballots shall be provided for use at the Annual Meeting with respect to such nominee.

Notwithstanding anything to the contrary in the second sentence of the second paragraph of this Section 4.16, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least seventy-five days prior to the Anniversary Date, a stockholder's notice required by this Section 4.16 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if such notice shall be delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the fifteenth day following the day on which such public announcement is first made by the Corporation.

No person shall be elected by the stockholders as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 4.16. Election of directors at an Annual Meeting need not be by written ballot, unless otherwise provided by the Board of Directors or presiding officer at such Annual Meeting. If written ballots are to be used, ballots bearing the names of all the persons who have been nominated for election as directors at an Annual Meeting in accordance with the procedures set forth in this Section 4.16 shall be provided for use at such Annual Meeting.

Section 5. NOTICES

5.1 Form of Notice. Whenever, under the provisions of law, or of the Certificate of Incorporation or of these By-Laws, notice is required to be given to any director or stockholder, such notice may be given by mail, addressed to such director or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Unless written notice by mail is required by law, written notice may also be given by telegram, cable, telecopy, commercial delivery service, telex or similar means, addressed to such director or stockholder at his address as it appears on the records of the Corporation, in which case such notice shall be deemed to be given when delivered into the control of the persons charged with effecting such transmission, the transmission charge to be paid by the Corporation or the person sending such notice and not by the addressee. Oral notice or other in-hand delivery (in person or by telephone) shall be deemed given at the time it is actually given.

5.2 Waiver of Notice. Whenever notice is required to be given under the provisions of law, the Certificate of Incorporation or these By-Laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because

the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the stockholders, directors or members of a committee of the directors need be specified in any written waiver of notice.

Section 6. OFFICERS AND AGENTS

6.1 Enumeration; Qualification. The officers of the Corporation shall be a Chairman of the Board of Directors, a President, a Treasurer, a Secretary and such other officers, if any, as the Board of Directors from time to time may in its discretion elect or appoint including without limitation one or more Vice Presidents. Any officer may be, but none need be, a director or stockholder. Any two or more offices may be held by the same person. Any officer may be required by the Board of Directors to secure the faithful performance of his duties to the Corporation by giving bond in such amount and with sureties or otherwise as the Board of Directors may determine.

6.2 Powers. Subject to law, to the Certificate of Incorporation and to the other provisions of these By-Laws, each officer shall have, in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to his office and such additional duties and powers as the Board of Directors may from time to time designate.

6.3 Election. The Board of Directors at its first meeting after each annual meeting of stockholders, or special meeting in place of an annual meeting, shall choose a Chairman, a President, a Secretary and a Treasurer. Other officers may be appointed by the Board of Directors at such meeting, at any other meeting or by written consent. At any time or from time to time, the directors may delegate to any officer their power to elect or appoint any other officer or any agents.

6.4 Tenure. Each officer shall hold office until the first meeting of the Board of Directors following the next annual meeting of the stockholders and until his successor is elected and qualified unless a shorter period shall have been specified in terms of his election or appointment, or in each case until he sooner dies, resigns, is removed or becomes disqualified. Each agent of the Corporation shall retain his authority at the pleasure of the directors, or the officer by whom he was appointed or by the officer who then holds agent appointive power.

6.5 Resignation and Removal. Any officer may resign at any time by delivering his resignation in writing to the President or the Secretary or to a meeting of the Board of Directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time, and without in any case the necessity of its being accepted unless the resignation shall so state. The Board of Directors may at any time remove any officer either with or without

cause. The Board of Directors may at any time terminate or modify the authority of any agent. No officer resigning and (except where a right to receive compensation shall be expressly provided in a duly authorized written agreement with the Corporation) no officer removed shall have any right to any compensation as such officer for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise; unless in the case of a resignation, the directors, or in the case of removal, the body acting on the removal, shall in their or its discretion provide for compensation.

6.6 Vacancies. If the office of the Chairman, the President, the Treasurer or the Secretary becomes vacant, the directors may elect a successor by vote of a majority of the directors then in office. If the office of any other officer becomes vacant, any person or body empowered to elect or appoint that office may choose a successor. Each such successor shall hold office for the unexpired term of his predecessor, and in the case of the Chairman, the President, the Treasurer and the Secretary until his successor is chosen and qualified, or in each case until he sooner dies, resigns, is removed or becomes disqualified.

Section 7. CAPITAL STOCK

7.1 Stock Certificates. Each stockholder shall be entitled to a certificate stating the number and the class and the designation of the series, if any, of the shares held by him, in such form as shall, in conformity to law, the Certificate of Incorporation and the By-Laws, be prescribed from time to time by the Board of Directors. Such certificate shall be signed by the President or a Vice-President and (i) the Treasurer or an Assistant Treasurer or (ii) the Secretary or an Assistant Secretary. Any of or all the signatures on the certificate may be a facsimile. In case an officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the time of its issue.

7.2 Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost,

stolen or destroyed.

Section 8. TRANSFER OF SHARES OF STOCK

8.1 Transfer on Books. Subject to any restrictions with respect to the transfer of shares of stock, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with necessary transfer stamps affixed, and with such proof of the authenticity of signature as the Board of Directors or the transfer agent of the Corporation may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these By-Laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to receive notice and to vote or to give any consent with respect thereto and to be held liable for such calls and assessments, if any, as may lawfully be made thereon, regardless of any transfer, pledge or other disposition of such stock until the shares have been properly transferred on the books of the Corporation.

It shall be the duty of each stockholder to notify the Corporation of his post office address.

Section 9. GENERAL PROVISIONS

9.1 Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action to which such record date relates. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. If no record date is fixed,

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;

(b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be

the day on which the first written consent is expressed; and

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

9.2 Dividends. Dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting or by written consent, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

9.3 Payment of Dividends. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

9.4 Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

9.5 Fiscal Year. The fiscal year of the Corporation shall end the Saturday closest to the 31st of January unless otherwise determined by the Board of Directors.

9.6 Seal. The Board of Directors may, by resolution, adopt a corporate seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the word "Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. The seal may be altered from time to time by the Board of Directors.

Section 10. INDEMNIFICATION

10.1 It being the intent of the Corporation to provide maximum protection available under the law to its officers and directors, the Corporation shall indemnify its officers and directors to the full extent the Corporation is permitted or required to do so by the General Corporation Law of Delaware as the same exists or hereafter may be amended. Such indemnification shall include payment by the Corporation, in advance of the final disposition of a civil or criminal action, suit or proceedings, of expenses incurred by a director or officer in defending any such action, suit or proceeding upon receipt of any undertaking by or on behalf of such director or officer to repay such payment if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation. The

Corporation may accept any such undertaking without reference to the financial ability of the person to make such repayment. As used in this paragraph, the terms "director" and "officer" include their respective heirs, executors, and administrators.

Section 11. AMENDMENTS

11.1 These By-Laws may be altered, amended or repealed or new By-Laws may be adopted by the stockholders or by the Board of Directors when such power is conferred upon the Board of Directors by the Certificate of Incorporation, at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors. If the power to adopt, amend or repeal By-Laws is conferred upon the Board of Directors by the Certificate of Incorporation, it shall not divest or limit the power of the stockholders to adopt, amend or repeal By-Laws.

DESIGNS, INC.
SENIOR EXECUTIVE INCENTIVE PLAN
FEBRUARY 1999-JANUARY 29, 2000

This plan has been developed for Senior Executives of Designs, Inc. The purpose of the Plan is to reward overall corporate accomplishments when pre-determined measures of company-wide performance are exceeded.

- The Plan is for FY99 and is effective for the period from February 1999 through January 29, 2000.

- Any incentive payments will be made within 30 days after the fiscal year results have been audited by the Company's independent accountants, unless otherwise determined by the Compensation Committee of the Board of Directors.

COMPONENTS

The plan is designed to be measurable and monitorable; and, to reward performance based on certain measures of success of the Company. Accordingly, this Plan will pay out from 7% up to 50% of base salary upon exceeding the budget target for Earnings Before Interest and Taxes (EBIT). The EBIT Budget for the year is $8,077,000 ($0.25 per share)

EBIT TARGET FOR INCENTIVE	PAYOUT AS A % OF INCENTIVE TARGET	INCENTIVE AS A % OF SALARY
$ 8,077,000	-0-	-0-
$ 8,884,700	14%	7.0%
$ 9,288,550	21%	10.5%
$ 9,692,400	28%	14.0%
$10,096,250	35%	17.5%
$10,500,100	42%	21.0%
$11,307,800	56%	28.0%
$12,115,500	70%	35.0%
$12,923,200	84%	42.0%
$13,730,900	98%	49.0%
$14,538,600	100%	50.0%

ELIGIBILITY

To be eligible for payment under the Plan, associates must be employed by DESIGNS, INC. as of the end of FY99; and employed on the date the payment is made.

Those hired after the beginning of FY99 will receive a prorated payment based on their months of employment during FY99. Those who leave voluntarily between the fiscal year-end and the payment date will forfeit their right to any incentive payment. Those who involuntarily leave employment will be paid any prorated incentive due (payable on the incentive payment date). Anyone with a counseling, corrective or performance improvement plan will not be eligible for an incentive payment. For use in this plan, a current counseling, corrective or performance plan will be defined as one that was delivered within 120 days prior to the payment. Incentive payment is calculated on base salary paid during FY99. All decisions concerning this Plan are at the sole discretion of the Compensation Committee of the Board of Directors and/or their delegatees.

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of December 10,1998, between Designs, Inc., a Delaware corporation (the "Company"), and James G. Groninger (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the By-laws of the Company permit the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid By-laws, and in part to provide Indemnitee with specific contractual assurance that the protection permitted by such By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation

owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 15% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether instituted by the Company or any other party and, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture,

employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such

capacity, including without limitation any action taken or omitted to be taken by Indemnitee in connection with or arising out of the consent solicitation of Jewelcor Management, Inc.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee or anyone acting in concert with the Indemnitee (other than a Claim seeking to enforce Indemnitee's rights under this Agreement) unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be

permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under

this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such

provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 7th day of January, 1999.

DESIGNS, INC.

By /s/ SCOTT N. SEMEL, AS

EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL &
SECRETARY

/s/ JAMES G. GRONINGER

James G. Groninger

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of December 10,1998, between Designs, Inc., a Delaware corporation (the "Company"), and Bernard M. Manuel (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the By-laws of the Company permit the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid By-laws, and in part to provide Indemnitee with specific contractual assurance that the protection permitted by such By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation

owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 15% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether instituted by the Company or any other party and, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture,

employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such

capacity, including without limitation any action taken or omitted to be taken by Indemnitee in connection with or arising out of the consent solicitation of Jewelcor Management, Inc.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee or anyone acting in concert with the Indemnitee (other than a Claim seeking to enforce Indemnitee's rights under this Agreement) unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be

permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under

this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such

provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 30th day of December, 1998.

DESIGNS, INC.

By /s/ SCOTT N. SEMEL, AS

EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL &
SECRETARY

/s/ BERNARD M. MANUEL

Bernard M. Manuel

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of December 10,1998, between Designs, Inc., a Delaware corporation (the "Company"), and Peter L. Thigpen (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the By-laws of the Company permit the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid By-laws, and in part to provide Indemnitee with specific contractual assurance that the protection permitted by such By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation

owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 15% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether instituted by the Company or any other party and, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of

anything done or not done by Indemnitee in any such

capacity, including without limitation any action taken or omitted to be taken by Indemnitee in connection with or arising out of the consent solicitation of Jewelcor Management, Inc.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee or anyone acting in concert with the Indemnitee (other than a Claim seeking to enforce Indemnitee's rights under this Agreement) unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be

permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under

this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such

provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 30th day of December, 1998.

DESIGNS, INC.

By /s/ SCOTT N. SEMEL, AS

EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL &
SECRETARY

/s/ PETER L. THIGPEN

Peter L. Thigpen

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of December 10,1998, between Designs, Inc., a Delaware corporation (the "Company"), and Melvin Shapiro (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the By-laws of the Company permit the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid By-laws, and in part to provide Indemnitee with specific contractual assurance that the protection permitted by such By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation

owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 15% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether instituted by the Company or any other party and, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of

anything done or not done by Indemnitee in any such

capacity, including without limitation any action taken or omitted to be taken by Indemnitee in connection with or arising out of the consent solicitation of Jewelcor Management, Inc.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee or anyone acting in concert with the Indemnitee (other than a Claim seeking to enforce Indemnitee's rights under this Agreement) unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be

permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under

this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such

provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 29th day of December, 1998.

DESIGNS, INC.

By /s/ SCOTT N. SEMEL, AS

EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL &
SECRETARY

/s/ MELVIN SHAPIRO

Melvin Shapiro

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of December 10,1998, between Designs, Inc., a Delaware corporation (the "Company"), and Joel H. Reichman (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the By-laws of the Company permit the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid By-laws, and in part to provide Indemnitee with specific contractual assurance that the protection permitted by such By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation

owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 15% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether instituted by the Company or any other party and, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of

anything done or not done by Indemnitee in any such

capacity, including without limitation any action taken or omitted to be taken by Indemnitee in connection with or arising out of the consent solicitation of Jewelcor Management, Inc.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee or anyone acting in concert with the Indemnitee (other than a Claim seeking to enforce Indemnitee's rights under this Agreement) unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be

permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under

this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such

provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 30th day of December, 1998.

DESIGNS, INC.

By /s/ ANTHONY E. HUBBARD

Name: Anthony E. Hubbard
Title: Assistant Secretary

/s/ JOEL H. REICHMAN

Joel H. Reichman

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of December 10,1998, between Designs, Inc., a Delaware corporation (the "Company"), and Scott N. Semel (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the By-laws of the Company permit the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid By-laws, and in part to provide Indemnitee with specific contractual assurance that the protection permitted by such By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation

owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 15% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether instituted by the Company or any other party and, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of

anything done or not done by Indemnitee in any such

capacity, including without limitation any action taken or omitted to be taken by Indemnitee in connection with or arising out of the consent solicitation of Jewelcor Management, Inc.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee or anyone acting in concert with the Indemnitee (other than a Claim seeking to enforce Indemnitee's rights under this Agreement) unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be

permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under

this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such

provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 28th day of December, 1998.

DESIGNS, INC.

By /s/ ANTHONY E. HUBBARD

Name: Anthony E. Hubbard
Title: Assistant Secretary

/s/ SCOTT N. SEMEL

Scott N. Semel

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of December 10,1998, between Designs, Inc., a Delaware corporation (the "Company"), and Carolyn R. Faulkner (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the By-laws of the Company permit the Company to indemnify and advance expenses to its directors and officers to the full extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and Indemnitee's reliance on the aforesaid By-laws, and in part to provide Indemnitee with specific contractual assurance that the protection permitted by such By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation

owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 15% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether instituted by the Company or any other party and, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture,

employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such

capacity, including without limitation any action taken or omitted to be taken by Indemnitee in connection with or arising out of the consent solicitation of Jewelcor Management, Inc.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee or anyone acting in concert with the Indemnitee (other than a Claim seeking to enforce Indemnitee's rights under this Agreement) unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be

permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of Massachusetts or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under

this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such

provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 30th day of December, 1998.

DESIGNS, INC.

By /s/ SCOTT N. SEMEL, AS
EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL &
SECRETARY

/s/ CAROLYN R. FAULKNER
Carolyn R. Faulkner

EX-11
EARNINGS PER SHARE

Exhibit 11. Statement Re: Computation of Per Share Earnings

	Fiscal Years Ending		
	January 30, 1999	January 31, 1998	February 1, 1997
	(In thousands except per share data)		
Basic EPS Computation			
Numerator:			
Net income (loss)	$ (18,541)	$ (29,063)	$ 6,264
Denominator:			
Weighted average common shares outstanding	15,810	15,649	15,755
Basic EPS	$ (1.17)	$ (1.86)	$ 0.40
Diluted EPS Computation			
Numerator:			
Net income (loss)	$ (18,541)	$ (29,063)	$ 6,264
Denominator:			
Weighted average common shares outstanding	15,810	15,649	15,755
Stock Options, excluding anti-dilutive options of 80 and 34 shares for January 30, 1999 and January 31, 1998, respectively	--	--	78
Total Shares	15,810	15,649	15,833
Diluted EPS	$ (1.17)	$ (1.86)	$ 0.40

Exhibit 21

Subsidiaries of the Registrant

Designs Securities Corporation
(a Massachusetts securities corporation)

Designs JV Corp.
(a Delaware corporation)

Designs Acquisition Corp.
(a Delaware corporation)

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated March 16, 1999, included in this Form 10-K, into registration statements previously filed by Designs, Inc. on Form S-8 (File No. 33-22957, File No. 33-32690, File No. 33-32687 and File No. 33-52892).

Boston, Massachusetts
April 30, 1999

/s/ ARTHUR ANDERSEN LLP

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-22957, 33-32690, 33-32687 and 33-52892) of Designs, Inc. of our report dated March 17, 1998 except as to the segment information for the two years in the period ended January 31, 1998 presented in Note N, for which the date is April 29, 1999, relating to the consolidated financial statements which appear in this Form 10-K.

Boston, Massachusetts
April 29, 1999 /s/ PRICEWATERHOUSECOOPERS, L.L.P.

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12-MOS	
JAN-30-1999	
FEB-01-1998	
JAN-30-1999	
	153
	0
	178
	0
	57,925
	59,439
	43,905
	26,117
	99,317
	35,361
	0
	0
	0
	160
	63,794
	99,317
	201,634
	201,634
	159,385
	159,385
	72,635
	0
	697
	(29,269)
	(10,728)
	(18,541)
	0
	0
	0
	(18,541)
	(1.17)
	(1.17)