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 FEBRUARY 3, 1996 (FISCAL 1995) 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	02194
(Address of principal executive offices)	(Zip Code)

(617) 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 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. [ ]

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 19, 1996 was $100 million.

The registrant has 15,861,282 shares of Common Stock, $0.01 par value outstanding as of April 19, 1996.

continued

DOCUMENTS INCORPORATED BY REFERENCE

FORM 10-K REQUIREMENT		INCORPORATED DOCUMENT
PART II		
Item 5	Market for Registrant's Equity and Related Shareholder Matters	Page 38 of the Annual Report to Common Shareholders for the year ended February 3, 1996.
Item 6	Selected Financial Data	Page 16 of the Annual Report to Shareholders for the year ended February 3, 1996.
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	Pages 17 through 21 of the Annual Report to Shareholders for the year ended February 3, 1996.
Item 8	Financial Statements and Supplementary Data	Pages 22 through 34 of the Annual Report to Shareholders for the year ended February 3, 1996.
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 February 3, 1996.
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 February 3, 1996.
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 February 3, 1996.
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 February 3, 1996.

DESIGNS, INC.

INDEX TO ANNUAL REPORT ON FORM 10-K
YEAR ENDED FEBRUARY 3, 1996

The information called for by Items 5, 6, 7 and 8, to the extent not included in this document, is incorporated herein by reference to the Company's Annual Report to Shareholders for the year ended February 3, 1996.

The information called for by Items 10, 11, 12 and 13, to the extent not included in this document, is incorporated herein by reference to the Company's definitive proxy statement which is expected to be filed on or about May 6, 1996.

PART I.

ITEM 1. Business

Summary

Designs, Inc. (the "Company") is a specialty retailer in the United States of quality branded apparel and accessories. The Company markets a broad selection of Levi Strauss & Co. products in the Eastern United States through mall-based first quality stores under the names Designs and Designs exclusively Levi's[Registered Trademark] stores and outlet stores under the name Levi's[Registered Trademark] Outlet by Designs. A subsidiary of the Company also owns a 70% interest in a partnership that operates, as part of a joint venture with a subsidiary of Levi's Only Stores, Inc. ("LOS"), a subsidiary of Levi Strauss & Co., stores under the name The Original Levi's[Registered Trademark] Store and outlet stores under the name of Levi's[Registered Trademark] Outlet featuring men's and women's Levi Strauss & Co. products.

The Company makes extensive use of Levi Strauss & Co. brand names, trademarks and trade names in its advertising, signs and store displays, and uses the broad recognition of the Levi Strauss & Co. brand name to generate sales.

Designs stores, Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlet stores are merchandised to capitalize on the strength of the Levi's[Registered Trademark] and Dockers[Registered Trademark] brand names, and in-store displays reflect the image, attractiveness and quality of Levi Strauss & Co. merchandise. Management believes that the Levi's[Registered Trademark] and Dockers[Registered Trademark] names are two of the most recognized apparel brand names in the United States and that the Levi's[Registered Trademark] brand name is among the most recognized brand names in the world.

In May 1995, the Company acquired the Boston Traders[Registered Trademark] brand, 33 Boston Traders[Registered Trademark] outlet stores and certain other assets from Boston Trading Ltd., Inc. ("Boston Trading"). The Company currently plans to use the Boston Traders[Registered Trademark] brand as the vehicle with which it will transition from being a single vendor retailer to a vertically integrated retailer featuring the Boston Traders[Registered Trademark] brand and select Levi Strauss and Co. brands.

The Company has established a product development and sourcing group which will work towards developing Boston Traders[Registered Trademark] brand product lines to complement the Levi Strauss & Co. brands. The Company expects that the new line designed by this team will be in all Designs stores in September 1996. This group is also focusing on enhancing the Boston Traders[Registered Trademark] brand product offering, packaging, labeling, logos and other brand enhancements for presentation in Spring 1997. The Company's store design and construction team is working closely with the brand team to test complementary fixtures, visual presentation formats and, ultimately, a unique store environment designed to optimize customer acceptance of, and to bring a new focus to, the Boston Traders[Registered Trademark] brand and product lines.

Store Formats

Designs stores are located in enclosed regional shopping malls and offer a broad selection of first quality Levi Strauss & Co. merchandise.

During fiscal 1994, the Company expanded its brand offering with the Timberland[Registered Trademark] brand in its Designs stores, as part of a strategy to offer a broader merchandise selection to customers and increase the proportion of non-Levi's[Registered Trademark] products offered in its stores. During fiscal 1995, the Designs stores first offered a small selection of the Boston Traders[Registered Trademark] brand merchandise which was purchased as part of the acquisition; however, the Company does not expect the presentation of the Boston Traders[Registered Trademark] brand product lines to be significant until September 1996. The Boston Traders[Registered Trademark] outlet stores, which are located in outlet parks throughout the United States, will mostly feature end-of-season and close-out Boston Traders[Registered Trademark] brand product lines from the Designs stores.

Levi's[Registered Trademark] Outlet by Designs stores are located in manufacturers outlet parks and destination shopping centers. These outlet stores sell manufacturing overruns, discontinued lines and irregulars purchased by the Company directly from Levi Strauss & Co. and its licensees, as well as end-of-season Levi's[Registered Trademark] and Dockers[Registered Trademark] brand merchandise transferred from Designs stores. Levi's[Registered Trademark] Outlet by Designs stores have capitalized on the rapid expansion of outlet shopping areas specializing in "value" retailing. To date, each Levi's[Registered Trademark] Outlet store is the only outlet in its shopping area selling exclusively Levi Strauss & Co. products.

The Company owns and operates Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlets under a joint venture between subsidiaries of Levi Strauss & Co. and the Company. See "Expansion." The Original Levi's[Registered Trademark] Store format is located in upscale malls and urban locations that feature hardwood floors, custom wood fixtures and a "video wall" displaying Levi Strauss & Co. advertisements and popular music videos. This format focuses on men's and women's Levi's[Registered Trademark] brand products consisting of core traditional styles such as five pocket and 501[Registered Trademark] jeans, denim jackets, contemporary silverTab[Trademark], and exclusive merchandise from Levi's[Registered Trademark] Europe and Levi's[Registered Trademark] Personal Pair[Trademark] individually fitted jeans for women. The joint venture also operates Levi's[Registered Trademark] Outlets stores that sell only Levi's[Registered Trademark] brand products, including close-out products from the Original Levi's[Registered Trademark] Stores.

Management believes that the Company competes effectively with other apparel retailers by offering superior selection, 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. personnel and materials, provides its sales personnel with substantial product knowledge training across the Boston Traders[Registered Trademark], Levi's[Registered Trademark] and Dockers[Registered Trademark] product lines.

Expansion Strategy

Since its inception in 1976, the Company has grown through the addition of new stores and the modification of its retail formats. The following table provides a summary of the number of stores in operation at year end for the past three fiscal years. With the exception of the Boston Traders[Registered Trademark] outlet stores, Levi Strauss & Co. must approve all new store locations.

	February 3, 1996	January 28, 1995	January 29, 1994
Designs	49	51(2)	64
Levi's[Registered Trademark]Outlet by Designs	58	61	48
Joint Venture:			
The Original Levi's[Registered Trademark]Stores	11	8(3)	6
Levi's[Registered Trademark]Outlets	4	--	--
Boston Traders[Registered Trademark]outlet stores	35(1)	--	--
Dockers[Registered Trademark]Shops	--	--(3)	2
Total	157	120	120

(1) In May 1995, the Company acquired certain assets of Boston Trading Ltd., Inc. including 33 Boston Traders[Registered Trademark] outlet stores

(2) During fiscal year 1994, the Company closed fifteen Designs stores as part of a restructuring program.

(3) The Company sold the two "Dockers[Registered Trademark] Shops" and an "Original Levi's[Registered Trademark] Store" to Levi's Only Stores, Inc. on January 28, 1995.

On January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company and a subsidiary of LOS entered into a partnership agreement (the "Partnership Agreement") to sell Levi's[Registered Trademark] brand products and jeans-related products. The joint venture that was established by the Partnership Agreement is known as The Designs/OLS Partnership (the "Partnership"). The term of the Partnership is ten years; however, the Partnership Agreement contains certain exit rights that enable either partner to buy or sell their interest in the joint venture beginning January 2000. The Company previously announced that the Partnership may open up to 35 to 50 Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlets throughout 11 Northeast states and the District of Columbia through the end of fiscal 1999. The Levi's[Registered Trademark] Outlet stores in the joint venture will sell only Levi's[Registered Trademark] brand products and service the close-out products of the Original Levi's[Registered Trademark] Stores.

In connection with the formation of the joint venture, Designs JV Corp. contributed, for a 70% interest in the joint venture, eight of the Company's then-existing Original Levi's[Registered Trademark] Stores valued at $11.1 million and three leases for unopened stores. At the same time, LDJV Inc., the joint venture subsidiary of LOS contributed approximately $4.7 million in cash to the joint venture in exchange for a 30% interest.

In June 1994, Levi Strauss & Co. advised the Company that it did not see any additional growth in the Levi's[Registered Trademark] Outlet by Designs format, other than additional outlet stores that might be part of the Original Levi's[Registered Trademark] Stores joint venture, as discussed above. Levi Strauss & Co. has informed the Company of their intention to open Levi's[Registered Trademark] Outlets and Dockers[Registered Trademark] Outlets through their LOS subsidiary. LOS has informed the Company that it does not presently intend to open these outlets in centers serviced by one of the Company's existing Levi's[Registered Trademark] Outlet stores. The Company expects that wholly-owned Levi's[Registered Trademark] Outlet by Designs and jointly-owned Levi's[Registered Trademark] Outlet locations, will continue to be the only authorized retail outlet locations in their respective outlet centers to sell Levi's[Registered Trademark] brand products. As such, the Company does not expect to open additional Levi's[Registered Trademark] Outlet by Designs stores in the future, with the exception of Levi's[Registered Trademark] Outlets that are opened by the joint venture as discussed above.

In fiscal 1993, the Company developed a new multi-brand look for its Designs stores featuring updated fixtures and merchandise presentation. The Company has remodeled 17 Designs stores through the end of fiscal 1995. During fiscal year 1994, the Company introduced Timberland[Registered Trademark] brand apparel and a line of private label merchandise under the name "EFD-Exclusively for Designs". During fiscal 1995, the Company completed the purchase of the Boston Traders[Registered Trademark] brand as the next step in developing an exclusive brand to complement the Company's existing Levi Strauss & Co. brand product lines. The Boston Traders[Registered Trademark] brand, established in 1967, first became known for its wholesale and retail sales of sweaters and tops for both men and women. The new Boston Traders[Registered Trademark] brand product lines are planned to provide the Company with access to a broader assortment of tops that integrate the Boston Traders[Registered Trademark] brand into all Designs stores. This addition is expected to impact sales and margins in the Designs stores although there are no assurances that the introduction and integration of the Boston Traders[Registered Trademark] brand will be successful or that positive sales and margin results will be generated with the brand.

Present plans are that future growth of the Company will be derived from the expansion of new stores that will predominantly feature the Boston Traders[Registered Trademark] brand and stores opened under the joint venture.

Restructuring

In fiscal year 1993, the Company recorded a non-recurring pre-tax charge of $15.0 million to cover the costs associated with the closing of 15 of its Designs stores. The costs to close these 15 stores totaled $9.6 million, comprised of $6.1 million cash and $3.5 million of non-cash costs. Total costs of $9.6 million to close the 15 stores were less than the original pre-tax $15.0 million estimate, primarily due to favorable negotiations with landlords. The remaining portion of the reserve was recognized in fiscal 1995 and fiscal 1994 as non recurring pre-tax income on the amounts of $2.2 million and $3.2 million respectively.

Customer Base

The Company believes that its customer base mostly reflects that of the Levi's[Registered Trademark] and Dockers[Registered Trademark] brand customer. A segment of the Company's current customer base consists of foreign travelers shopping for Levi Strauss & Co. products. The Company's product selection is designed to appeal to the casual apparel needs of customers in all age groups and income brackets.

Merchandising and Distribution

Through fiscal year 1995, the majority of the assortment focus was on a core selection of traditional Levi's[Registered Trademark] and Dockers[Registered Trademark] brand products. The Designs stores also feature a wide range of Levi's[Registered Trademark] and Dockers[Registered Trademark] accessories from authorized licensees. During fiscal 1995, the Company began to introduce complementary Boston Traders[Registered Trademark] brand product that was purchased as part of the Boston Trading acquisition. Expectations are that the addition of non-Levi Strauss & Co. brands will enable the Designs stores to capitalize on new products either not offered by Levi Strauss & Co. or on which Levi Strauss & Co. sells limited styles. These include classifications such as outerwear, sweaters and knitwear. The Company expects that approximately 50% or more of the product assortment in Designs stores will come from non-Levi Strauss & Co. sources by the third quarter of fiscal year 1996. These changes are intended to enhance the Designs store image as a destination for quality casual apparel.

In its Levi's[Registered Trademark] Outlet by Designs stores, the Company offers a selection of Levi Strauss & Co. 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 stores. The Levi's[Registered Trademark] Outlets opened as part of the joint venture sell only Levi's[Registered Trademark] brand products and service the close-out products of the Original Levi's[Registered Trademark] Stores. The Boston Traders[Registered Trademark] outlet stores feature the end-of-season and close-out Boston Traders[Registered Trademark] brand product lines from the Designs stores.

Merchandising in "The Original Levi's[Registered Trademark] Store" focuses on men's and women's tops and bottoms under the Levi's[Registered Trademark] brand name, including traditional 501[Registered Trademark], 505[Registered Trademark] and 550[Trademark] five pocket jeans; contemporary silverTab[Trademark] jeans; 560[Trademark] Loose fitting jeans and Personal Pair[Trademark] individually fitted jeans for women; jeans jackets; a full line of women's jeans; T-shirts; denim shirts; shorts and sweats; and coordinating accessories. Many styles are unique to the Original Levi's[Registered Trademark] Store, and are not available at any other retail store in the United States.

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 store, district, and regional managers.

Prior to the acquisition of Boston Trading, each store had been stocked by direct to store vendor shipments. With the acquisition of Boston Trading, the Company needed to expand its current operations to accommodate other types of sourcing and distribution. The Company accomplished this by establishing a product development and sourcing team which will develop a new, updated Boston Traders[Registered Trademark] product line, including distinctive packaging and labeling for the brand. In addition, the Company assembled a logistics team and contracted with a third-party warehouse to provide storage and distribution capacity to move the Boston Traders[Registered Trademark] brand merchandise and to ensure on-time cost-effective delivery of the merchandise to the stores. In fiscal 1996, the Company will continue to develop its sourcing capabilities, management information systems and training programs to support this anticipated expansion.

During the fiscal year ended February 3, 1996, sales by format, by product category were as follows:

			---Joint Venture--			
Category	Designs	Levi's [Registered Trademark] Outlet by Designs	Original Levi's [Registered Trademark] Stores	Levi's [Registered Trademark] Outlet	Boston Traders [Registered Trademark] outlets	Total Company
Men's	53%	53%	49%	51%	17%	51%
Women's	20%	17%	28%	25%	12%	19%
Shirts	18%	15%	16%	17%	66%	18%
Youth	4%	8%	2%	4%	--	6%
Accessories	5%	7%	5%	3%	5%	6%

Trademarks

The Company is the owner of the "Boston Traders" trademark and 18 other trademarks which were acquired as part of the acquisition of Boston Trading.

"501," "505," "Dockers" and "Levi's" are registered trademarks, and "550," "560," "silverTab" and "Personal Pair" are trademarks of Levi Strauss & Co.

Seasonality

Historically, the Company has experienced seasonal fluctuations in revenues and income, with increases occurring during the Company's third and fourth quarters as a result of Back-to-School and Holiday seasons.

Store Operations

Designs stores average approximately 6,600 square feet in size and are located in enclosed regional shopping malls usually anchored by department stores. Levi's[Registered Trademark] Outlet by Designs and Levi's[Registered Trademark] Outlets stores under the joint venture are located in destination manufacturers' outlet parks and range in size from approximately 8,000 to 19,700 square feet offering the consumer irregulars and end-of-season Levi Strauss & Co. brand merchandise in a "no frills" outlet format. To date, each Outlet store is the only outlet in its shopping area selling exclusively Levi Strauss & Co. brand products. Similarly located, the Boston Traders[Registered Trademark] outlet stores range in size from 2,000 to 6,500 square feet. The Original Levi's[Registered Trademark] Stores, having both mall-based and downtown locations, range in size from 4,000 to 15,300 square feet.

Each of the Company's stores utilize centrally developed interior design and merchandise layout plans specifically designed to promote customer identification of the store as a specialty store selling quality branded apparel and accessories including Levi Strauss & Co. and Boston Traders[Registered Trademark] brand products. The merchandise layout is further adapted by store management and the Company's visual merchandising department. Each Designs store prominently displays Levi's[Registered Trademark], Dockers[Registered Trademark] and Boston Traders[Registered Trademark] and distinctive branded promotional displays; the Levi's[Registered Trademark] Outlet stores prominently display Levi Strauss & Co. brand logos and distinctive promotional displays; "The Original Levi's[Registered Trademark] Store" concept also features a video wall presentation developed to promote an upscale image of the men's and women's Levi's[Registered Trademark] brand products sold in those stores. The Company uses Levi Strauss & Co. logos and trademarks on store signs with the permission of Levi Strauss & Co.

Customer Service

The Company stresses product training with its sales staff and, with the assistance of Levi Strauss & Co. for the Levi Strauss & Co. brands and the assistance of the Company's training and product development group, provides the store operation group with substantial product knowledge training across the Levi Strauss & Co. and Boston Traders[Registered Trademark] brand product lines. This training includes promoting sales of coordinating apparel and accessories. Management believes that the Company's sales staff serves to reinforce the consumer's perception of the Company's stores as branded specialty stores and to differentiate the Company's stores from those of its competitors.

Each Designs store employs approximately 10 to 15 associates, and each Levi's[Registered Trademark] Outlet and Original Levi's[Registered Trademark] Store employs approximately 15 to 45 associates. The personnel required to operate a store includes a store manager, store manager candidate, assistant manager, assistant manager candidate, shift manager and a group of full-time and part-time sales associates. The store manager is responsible for all operational matters for that store, including hiring and training associates. All new store managers participate in the Designs University[Trademark] training program at the Company's home office training center. Designs University[Trademark] is a five semester training program completed in the stores with the final semester and graduation taking place in the home office. Management believes that the Company's policy of promoting from within has led to a lower than average rate of employee turnover. None of the employees are represented by a union. The development of management and sales associate training programs is performed internally by the Company's Store Training Department.

In order to provide management guidance to the individual store managers, the Company currently employs 21 district managers, who have an average length of service with the Company of approximately nine years, a regional manager and three regional vice presidents, all of whom have been with the Company for more than fifteen years. Each district manager is responsible for hiring store managers at the stores assigned to that manager's territory and for the overall profitability of those stores. District managers report directly to the regional vice presidents/manager, who report directly to the Company's President and Chief Executive Officer. In addition, in fiscal 1995 a general manager was hired to manage the stores in the joint venture. The general manager of the joint venture reports directly to the management committee of the Partnership. The joint venture also has one regional manager who is responsible for all the stores operating under the Partnership.

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 enable it to maintain inventory, pricing and other financial controls. During the first quarter of fiscal 1996, the Company installed a new merchandising software package. This software is designed to enhance analytical capabilities of the Company's merchandise and financial functions and provide an integrated approach to managing the business. During the second quarter of fiscal 1996, the Company will replace its point-of-sale devices with in store processors for all store operations, inventory and administrative functions. This store-based equipment is linked to the Company's central processing system.

The Company makes use of software systems for enhanced merchandise replenishment. The merchandise replenishment system is an automated allocation and planning tool designed to operate in the fashion apparel industry. This system is used to allocate in an environment of ever-changing styles. The system also allows the Company's allocation staff to efficiently utilize available sales and inventory data to react to the individual needs of each store on a timely basis.

The Company has installed a computer-aided design system in its New York City product development office to automate certain merchandise design, graphics and production functions.

Advertising

The Company benefits from the high visibility and recognition of the Levi's[Registered Trademark] and Dockers[Registered Trademark] brand names, as well as the natural flow of traffic that results from locating stores in areas of high retail activity including large regional malls, destination outlet centers and high traffic inner city shopping districts. Historically, the Company has received co-operative advertising allowances from Levi Strauss & Co. that typically fund approximately one third of all advertising expenditures. As the Company decreases the percentage of Levi's[Registered Trademark] and Dockers[Registered Trademark] brand merchandise offered in its Designs stores, the cooperative advertising allowances associated with the Company's advertising will decrease proportionately.

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's competitors in the casual apparel market consist of national and regional department stores in the Company's market areas, such as J.C. Penney Company, Sears, Roebuck & Company, Dillard Department Stores Inc., May Company, Kohls and Filene's. In addition, the Company competes with several specialty apparel retailers, including The GAP, Inc., The Limited, Inc. and County Seat Stores, Inc.

Employees

As of February 3, 1996, the Company employed approximately 2,570 persons, of whom 2,386 were full- and part-time sales personnel and 184 were employed at the Company's headquarters. Additionally, the Company hires temporary employees during the peak Back-to-School and Holiday seasons.

All qualified full-time employees are entitled to life, medical, disability and dental insurance and can participate in the Company's 401(k) retirement savings plan. Store, district and regional vice presidents and managers are eligible to receive incentive compensation subject to the achievement of specific performance objectives which include store and company profitability. Through the end of fiscal 1995 they were 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 receive no commissions, but are eligible to earn, from time to time, incentive prizes as part of individual store's sales contests. Certain store, district and regional managers, as well as certain other employees, have been granted stock options.

Risks and Uncertainties

The Company filed a Current Report on Form 8-K, dated April 30, 1996, which identifies certain risks and uncertainties that may impact the future earnings and direction of the Company.

ITEM 2. Properties

As of February 3, 1996, the Company operated 49 Designs stores, 58 Levi's[Registered Trademark] Outlet by Designs stores, 35 Boston Traders[Registered Trademark] outlet stores, 11 "Original Levi's[Registered Trademark] Stores" and four Levi's[Registered Trademark] Outlets. All stores, with the exception of the joint venture, are leased by the Company directly from shopping mall, outlet park and downtown property owners. The 11 Original Levi's[Registered Trademark] Stores and four Levi's[Registered Trademark] Outlets are leased by the Partnership directly. Designs stores and Original Levi's[Registered Trademark] Stores leases are generally ten years in length with no renewal option. Outlet store leases are usually for a series of shorter periods and sometimes contain certain renewal options extending their terms to between 10 and 15 years. Most of the leases provide for annual rent based on a percentage of store sales, subject to guaranteed minimum amounts.

In April 1996, the Company moved its headquarters to Needham, Massachusetts. The lease, which began in November 1995, is for ten years. The lease provides for the Company to pay all related occupancy costs associated with the land and the headquarters building. Prior to April 1995, the Company's headquarters were in Chestnut Hill, Massachusetts. The property was leased under an agreement with an affiliate of Stanley I. Berger, the Chairman of the Board of the Company and the estate of Calvin Margolis, a former director of the Company. The lease expired in April 1996.

The Company utilizes third-party warehousing facilities to receive and distribute the Boston Traders[Registered Trademark] brand product. The Company presently intends to continue using a third party warehouse and has no plans to operate its own warehousing facility in fiscal 1996.

Sites for store expansion are selected on the basis of several factors intended to maximize the exposure of each store to those persons the Company believes are likely customers. These factors include the demographics 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 believes that its selection of locations attracts customers from the general shopping traffic and generates its own customers from the surrounding areas.

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.

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

No matter was submitted during the fourth quarter of fiscal 1995 to a vote of security holders, through the solicitation of proxies or otherwise.

PART II.

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

The information required by this item is furnished by incorporation by reference to Page 38 of the Annual Report to Shareholders for the year ended February 3, 1996.

ITEM 6. Selected Financial Data

The information required by this item is furnished by incorporation by reference to Page 16 of the Annual Report to Shareholders for the year ended February 3, 1996.

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

The information required by this item is furnished by incorporation by reference to Pages 17 through 21 of the Annual Report to Shareholders for the year ended February 3, 1996.

ITEM 8. Financial Statements and Supplementary Data

The information required by this item is furnished by incorporation by reference to Pages 22 through 34 of the Annual Report to Shareholders for the year ended February 3, 1996.

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 February 3, 1996.

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 February 3, 1996.

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 February 3, 1996.

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 February 3, 1996.

PART IV.

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

(A) 1. & 2. CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

The financial statements and schedules listed in the index below are filed as part of this annual report.

2. CONSOLIDATED FINANCIAL STATEMENT SCHEDULES:

All schedules 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.

3. EXHIBITS

3.1 Restated Certificate of Incorporation of the Company, as amended. Incorporated herein by reference to the Company's Registration Statement on Form S-1, (No. 33-13402). *

3.2 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.

3.3 By-Laws of the Company, as amended (included as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q dated December 12, 1995, and incorporated herein by reference). *

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). *

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 by herein by reference).	*
10.3	1992 Stock Incentive Plan, as amended (included as Exhibit A to the Company's definitive proxy statement dated May 10, 1994, and incorporated by reference).	*
10.4	Executive Incentive Plan effective through the end of fiscal year ended January 28, 1995 (included as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended January 29. 1994, and incorporated herein by reference).	*
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 for the year ended January 30, 1993, and incorporated herein by reference).	*
10.6	Credit Agreement among the Company, BayBank Boston, N.A. and State Street Bank and Trust Company dated as of November 17, 1994 (included as Exhibit 1 to the Company's Current Report on Form 8-K dated November 22, 1994, and incorporated herein by reference).	*
10.7	Amendment dated June 2, 1995 to the Credit Agreement among the Company, BayBank Boston, N.A., and State Street Bank and Trust Company dated as of November 17, 1994 (included as 10.18 to the Company's Quarterly Report on Form 10-Q dated September 12, 1995, and incorporated herein by reference).	*
10.8	Consulting Agreement between the Company and Stanley I. Berger dated December 21, 1994 (included as Exhibit 10.7 to the Company's Annual Report on Form 10-K dated April 28, 1995 and incorporated herein by reference).	*
10.9	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).	*
10.10	Partnership Agreement of The Designs/OLS Partnership (the "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).	*
10.11	Glossary executed by the Designs Partner, the Company, the LOS Partner, LOS, LS&CO, LSAI and the 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).	*
10.12	Sublicense Agreement between LOS and the LOS Partner with exhibits A and B (included as Exhibit 10.4 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.13	Sublicense Agreement between the LOS Partner and the Partnership with exhibits B and C (included as Exhibit 10.5 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*

10.14	License Agreement between the Company and the Partnership (included as Exhibit 10.6 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.15	Administrative Services Agreement between the Company and the 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).	*
10.16	Asset Purchase Agreement between LOS and the Company relating to the 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).	*
10.17	Asset Purchase Agreement between LOS and the Company relating to the store located in Cambridge, Massachusetts dated January 28, 1995 (included as Exhibit 10.10 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.18	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).	*
10.19	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).	*
10.20	Employment Agreement dated as of October 16, 1995 between the Company and Joel H. Reichman (included as Exhibit 10.1 to the Company's Report on Form 8-K dated December 6, 1995, and incorporated herein by reference).	*
10.21	Employment Agreement dated as of October 16, 1995 between the Company and Scott N. Semel (included as Exhibit 10.2 to the Company's Report on Form 8-K dated December 6, 1995, and incorporated herein by reference).	*
10.22	Employment Agreement dated as of October 16, 1995 between the Company and Mark S. Lisnow (included as Exhibit 10.3 to the Company's Report on Form 8-K dated December 6, 1995, and incorporated herein by reference).	*

10.24 Employment Agreement dated as of October 16, 1995 between the Company and William D. Richins (included as Exhibit 10.4 to the Company's Report on Form 8-K dated December 6, 1995, and incorporated herein by reference). *

11 Statement re: computation of per share earnings

13 Annual Report to Shareholders for the year ended February 3, 1996 (with the exception of the information incorporated by reference included in Items 5, 6, 7 and 8, the Annual Report to Shareholders for the year ended February 3, 1996 is not deemed filed as part of this report).

21 Subsidiaries of the Registrant.

23 Consent of Coopers & Lybrand, L.L.P. dated May 1, 1996.

27 Financial Data Schedules

99 Report of the Company dated April 30, 1996 concerning certain cautionary statements of the Company to be taken into account in conjunction with the 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 Commission.

(B) REPORTS ON FORM 8-K:

(i) The Company reported under item 5 on Form 8-K dated December 6, 1995, that as of October 16, 1995 the Board of Directors of the Company authorized the Company to enter into employment agreements with certain executive officers of the Company.

(ii) The Company reported under item 5 on Form 8-K dated April 30, 1996, certain cautionary statements of the Company to be taken into account in conjunction with the 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.

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.

May 1, 1996

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 May 1, 1996.

Signatures	
/S/ Joel H. Reichman - ---------------------- Joel H. Reichman	President and Chief Executive Officer and Director (Principal Executive Officer)
/S/ William D. Richins - ---------------------- William D. Richins	Chief Financial Officer
/S/ Stanley I. Berger - ---------------------- Stanley I. Berger	Chairman of the Board and Director
- ---------------------- James G. Groninger	Director
/S/ Melvin Shapiro - ---------------------- Melvin Shapiro	Director
/S/ Bernard M. Manuel - ---------------------- Bernard M. Manuel	Director
- --------------------- Peter L. Thigpen	Director

CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF A SERIES OF PREFERRED STOCK

OF

DESIGNS, INC.

DESIGNS, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That, pursuant to authority conferred upon the Board of Directors by the Restated Certificate of Incorporation (as amended) of said corporation, and pursuant to the provisions of Section 151 of Title 8 of Delaware Code of 1953, said Board of Directors, at a meeting duly held on May 1, 1995, adopted a resolution providing for the designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of a Series of Preferred Stock, which resolution is as follows:

See attached pages 2A-7A

VOTE OF DIRECTORS ESTABLISHING
SERIES A JUNIOR PARTICIPATING CUMULATIVE
PREFERRED STOCK

of

DESIGNS, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware:

VOTED, that pursuant to authority conferred upon and vested in the Board of Directors by the Restated Certificate of Incorporation, as amended as of the date hereof (the "Certificate of Incorporation"), of Designs, Inc. (the "Corporation"), the Board of Directors hereby establishes and designates a series of Preferred Stock of the Corporation, and hereby fixes and determines the relative rights and preferences of the shares of such series, in addition to those set forth in the Certificate of Incorporation, as follows:

Section 1. DESIGNATION AND AMOUNT. The shares of such series shall be designated as "Series A Junior Participating Cumulative Preferred Stock" (the "Series A Preferred Stock"), and the number of shares initially constituting such series shall be 300,000; provided, however, that if more than a total of 300,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Shareholder Rights Agreement dated as of May 1, 1995, between the Corporation and The First National Bank of Boston, as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, shall direct by resolution or resolutions that a certificate be properly executed, acknowledged, filed and recorded, in accordance with the provisions of Section 103 thereof, providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Certificate of Incorporation then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

Section 2. DIVIDENDS AND DISTRIBUTIONS.

(A) (i) Subject to the rights of the holders of any shares of any series of preferred stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of shares of common stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provisions for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of common stock or a subdivision of the outstanding shares of common stock (by reclassification or otherwise), declared on the common stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. The multiple of cash and non-cash dividends declared on the common stock to which holders of the Series A Preferred Stock are entitled, which shall be 1000 initially but which shall be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Dividend Multiple." In the event the Corporation shall at any time after May 1, 1995 (the "Rights Declaration Date") (i) declare or pay any dividend on common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the Dividend Multiple thereafter applicable to the determination of the amount of dividends which holders of shares of Series A Preferred Stock shall be entitled to receive shall be the Dividend Multiple applicable immediately prior to such event multiplied by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

(ii) Notwithstanding anything else contained in this paragraph (A), the Corporation shall, out of funds legally available for that purpose, declare a dividend or distribution on the Series A Preferred Stock as provided in this paragraph (A) immediately after it declares a dividend or distribution on the common stock (other than a dividend payable in shares of common stock); provided that, in the event no dividend or distribution shall have been declared on the common stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(B) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix in accordance with applicable law a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than such number of days prior to the date fixed for the payment thereof as may be allowed by applicable law.

Section 3. VOTING RIGHTS. In addition to any other voting rights required by law, the holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. The number of votes which a holder of a share of Series A Preferred Stock is entitled to cast, which shall initially be 1000 but which may be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Vote Multiple." In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the Vote Multiple thereafter applicable to the determination of the number of votes per share to which holders of shares of Series A Preferred Stock shall be entitled shall be the Vote Multiple immediately prior to such event multiplied by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of common stock and the holders of shares of any other capital stock of this Corporation having general voting rights, shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as otherwise required by applicable law or as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of common stock as set forth herein) for taking any corporate action.

Section 4. CERTAIN RESTRICTIONS.

(A) Whenever dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) except as permitted in subsection 4(A)(iv) below, redeem, purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under subsection (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. REACQUIRED SHARES. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. LIQUIDATION, DISSOLUTION OR WINDING UP. Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made (x) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (1) $1000.00 per share or (2) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount to be distributed per share to holders of common stock, or (y) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the aggregate amount per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (x) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

Neither the consolidation of nor merging of the Corporation with or into any other corporation or corporations, nor the sale or other transfer of all or substantially all of the assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

Section 7. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of common stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of common stock is changed or exchanged, plus accrued and unpaid dividends, if any, payable with respect to the Series A Preferred Stock. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

Section 8. REDEMPTION. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. RANKING. Unless otherwise provided in the Certificate of Incorporation or a Certificate of Vote of Directors Establishing a Class of Stock relating to a subsequently-designated series of preferred stock of the Corporation, the Series A Preferred Stock shall rank junior to any other series of the Corporation's preferred stock subsequently issued, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up and shall rank senior to the common stock.

Section 10. AMENDMENT. The Certificate of Incorporation and this Certificate of Vote of Directors shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

Section 11. FRACTIONAL SHARES. Series A Preferred Stock may be issued in whole shares or in any fraction of a share that is one one-thousandth (1/1000th) of a share or any integral multiple of such fraction, which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Corporation may elect to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandth (1/1000th) of a share or any integral multiple thereof.

I, Joel H. Reichman, President and Chief Executive Officer of the Corporation, do make this certificate, hereby declaring and certifying that this is my act and deed on behalf of the Corporation this 1st day of May, 1995.

/s/ Joel H. Reichman

By: Joel H. Reichman
Title: President and Chief
Executive Officer

Exhibit 11. Statement Re: Computation of Per Share Earnings

	Fiscal Year Ended		
	February 3, 1996	January 28, 1995	January 29, 1994
	(In thousands, except per share data)		
Income before accounting change	$ 9,773	$16,903	$ 5,669
Cumulative effect on prior years of change in accounting for income taxes			79
Net Income	$ 9,773	$16,903	$ 5,748
Weighted average shares outstanding during the period	15,770	15,914	15,916
Common equivalent shares	*	*	*
Number of shares for purposes of calculating net income per share	15,770	15,914	15,916
Net income per common share before accounting change	$ 0.62	$ 1.06	$ 0.36
Cumulative effect on prior years of change in accounting for income taxes per share (1)			n/m
Net income per share	$ 0.62	$ 1.06	$ 0.36

* Less than 3% dilutive

(1) The Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes: during the first quarter of fiscal 1994.

EXHIBIT 13

TABLE OF CONTENTS

[LOGO]
ANNUAL REPORT 1995
(Year ended February 3, 1996)

Designs, Inc. is a specialty retailer that provides internationally recognized, quality branded merchandise in a manner which creates a shopping experience that satisfies our target customers' casual lifestyle requirements. This is done through channels of distribution aimed at our customers, in an environment which optimizes our associates' and shareholders' satisfaction.

Based in Needham, Massachusetts, Designs, Inc. opened its first Designs store in 1977, selling exclusively Levi Strauss & Co. apparel and accessories. In 1994, the company expanded its brand offering with the Timberland[Registered Trademark] brand, as part of a strategy to offer a broader merchandise selection to customers. In 1995, Designs, Inc. completed a joint venture agreement with Levi Strauss & Co. to own and operate retail stores throughout 11 northeast states and the District of Columbia, further strengthening the long-standing relationship between the two companies. In 1995, Designs, Inc. completed the purchase of the Boston Traders[Registered Trademark] brand as the next step in developing an exclusive brand to augment existing product lines. The company operates 157 full-price and outlet stores located throughout the United States in enclosed regional shopping malls, urban locations and outlet centers.

[PHOTO: INSIDE VIEW OF ORIGINAL LEVI'S[REGISTERED TRADEMARK] STORE LOCATED IN NEW YORK CITY, NEW YORK]

[PHOTO: INSIDE VIEW OF A ORIGINAL LEVI'S[REGISTERED TRADEMARK] STORE]

STORE FORMATS

Designs stores feature merchandise for men and women, including Levi's[Registered Trademark] brand traditional denim products and Dockers[Registered Trademark] brand casual apparel. The well-known, established Boston Traders[Registered Trademark] brand, acquired in May 1995, provides an exclusive brand to complement and strengthen the merchandise mix.

[PHOTO: INSIDE VIEW OF A BOSTON TRADERS[REGISTERED TRADEMARK] OUTLET STORE]

Levi's[Registered Trademark] Outlet by Designs stores, located in manufacturers' outlet centers in the eastern half of the United States, target the value-conscious consumer. The Levi's[Registered Trademark] Outlets offer selected Levi Strauss & Co. merchandise from the Levi's[Registered Trademark] and Dockers[Registered Trademark] brand product lines, including manufacturing overruns, discontinued lines, irregulars and end-of-season merchandise.

Original Levi's[Registered Trademark] Stores, located in upscale malls and urban locations, focus on the Levi's[Registered Trademark] brand jeans customer. In addition to traditional men's and women's products, Original Levi's[Registered Trademark] Stores offer SilverTab[Trademark] products, exclusive merchandise from Levi's[Registered Trademark] Europe and Levi's Personal Pair[Registered Trademark] individually fitted jeans for women. The Original Levi's[Registered Trademark] Stores are operated in a joint venture between wholly-owned subsidiaries of Designs, Inc. and Levi Strauss & Co. The joint venture also operates Levi's[Registered Trademark] Outlet stores that sell only Levi's[Registered Trademark] brand products, including close-out products of the Original Levi's[Registered Trademark] Stores.

[PHOTO: INSIDE VIEW OF A DESIGN'S STORE]

Boston Traders[Registered Trademark] outlet stores offer Boston Traders[Registered Trademark] brand product lines to the value-conscious consumer. The Boston Traders[Registered Trademark] outlet stores, located in manufacturers' outlet centers throughout the United States, feature end-of-season and close-out Boston Traders[Registered Trademark] brand product lines from the Designs stores.

To Shareholders and Valued Designs Associates:

Fiscal 1995, my first full year as Chief Executive Officer, has been a year focused on my commitment to strengthen the long-term performance of our company. Our vision is to provide internationally recognized, quality branded merchandise in a manner that creates a shopping experience that satisfies our target customers' casual lifestyle. We endeavor to fulfill and exceed our customers' expectations for quality, selection and value, supported by superior customer service. As shareholders and fellow associates , you should be proud of the progress we have made to differentiate ourselves as a specialty retailer of internationally recognized, quality branded merchandise.

During my 20 years at Designs, we have prospered through a multitude of changes in the retail industry. Change occurred through evolving customer demand and preferences, new specialty retail formats, department store consolidations, mass merchant growth and new technology.

[PHOTO: JOEL H. REICHMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER]

We believe that it has been an advantage to have retail formats that target various customer preferences. In the malls, we have the Designs and Original Levi's[Registered Trademark] Stores (in our joint venture with a subsidiary of Levi Strauss & Co.). Our Levi's[Registered Trademark] Outlet by Designs, Boston Traders[Registered Trademark] and joint venture Levi's[Registered Trademark] Outlet stores are in manufacturers' outlet centers throughout the United States. In key urban locations, such as New York, Boston and Washington, D.C. we operate Original Levi's[Registered Trademark] Stores in the joint venture.

As mall-based retailing has become highly competitive and promotional, we made a decision to change our focus in the malls. We decided to become a vertically integrated retailer. Vertical integration, that is to design, source and distribute our own products, presents us with a greater gross margin opportunity than previously. This past year Designs made significant progress toward achieving one of the primary goals inherent in our vision: to expand our horizons beyond being a single vendor retailer and to become a vertically integrated retailer of quality branded casual apparel.

In May 1995, we acquired the Boston Traders[Registered Trademark] brand. Through the Boston Traders[Registered Trademark] brand we will complement the product lines we already offer with high quality tops, sweaters, outerwear and accessories. I believe that the Boston Traders[Registered Trademark] brand acquisition reduced the time and expense usually associated with developing a line of branded casual apparel. With an expanded product offering, our Designs stores present us with the opportunity for an improved tops-to-bottoms sales ratio, enhanced margins and sales improvements. Historically, the authentic Boston Traders[Registered Trademark] brand line of tops, sweaters and outerwear enjoyed excellent customer recognition and awareness. Founded in 1967, we believe in the inherent brand equity and reputation of the Boston Traders[Registered Trademark] brand name.

In September 1995, Mark Lisnow joined us as Senior Vice President of Merchandising as part of our long-term plan to establish the Boston Traders[Registered Trademark] brand as a product leader. Mark immediately organized our merchandising department along brand lines and began to assemble an experienced product development and sourcing group. Led by Neal Vantosky, formerly Senior Vice President of Product Development and Design for Gap, Inc., our New York City based design, development and sourcing team was fully operational in December 1995.

The Boston Traders[Registered Trademark] brand product team designed and is in full scale production of a Fall 1996 line that is scheduled to be in all of our Designs stores in September 1996. This same team is also focusing on enhancing the Boston

[WATERMARK: TEAM EFFORT]

[PHOTO: OUTSIDE VIEW OF LEVI'S[REGISTERED TRADEMARK] OUTLET STORE IN FREEPORT, MAINE]
[PHOTO: OUTSIDE VIEW OF BOSTON TRADERS[REGISTERED TRADEMARK] OUTLET STORE IN GURNEE MILLS, ILLINOIS]

Traders[Registered Trademark] brand product offering, packaging, labeling, logos and other brand enhancements for presentation in Spring 1997. Our store design and construction team is working closely with the brand team to test complementary fixtures, visual presentation formats and, ultimately, a unique store environment designed to optimize customer acceptance of and bring a new focus to the Boston Traders[Registered Trademark] brand and product lines. Our estimated $5.0 million annual investment in the product development, sourcing and logistics resources needed to implement our Boston Traders[Registered Trademark] brand strategy is partially reflected in the results for this past year and is expected to remain an ongoing component of our future overhead. The return from this investment will shape our company's future.

[WATERMARK: STRONG MANAGEMENT]

[WATERMARK: RECOGNIZED BRANDED MERCHANDISE]

It is important to keep in mind that we are building our own brand and establishing ourselves as a vertically integrated retailer from a position of strength, leveraging our traditional customer base that recognizes us as a retailer of Levi Strauss & Co. merchandise. We are pleased with the progress of our joint venture partnership and we plan to expand the number of stores under the joint venture through fiscal year 1999. This strong base, along with our solid financial resources, should allow us to undertake our transition to a successful vertically integrated retailer. Once we have developed the new Boston Traders[Registered Trademark] brand product lines and the new brand imaging is in place, we plan to expand this unique concept throughout the United States as we continue to build brand equity and grow the retail presence of the Boston Traders[Registered Trademark] brand. We will capitalize on our strengths as we invest in our long-term strategy for future growth.

[WATERMARK: SPECIALTY RETAIL STORES]

During a year characterized by weak consumer demand for apparel, with corresponding sales and earnings results for both the "Back to School" and "Holiday" seasons, we managed expenses well and maintained a strong balance sheet while funding 10 new store openings and eight remodels. In addition, we acquired 33 Boston Traders[Registered Trademark] outlets and assembled the team that is launching the Boston Traders[Registered Trademark] brand.

[WATERMARK: MERCHANDISE MIX]

We achieved record sales this past year of $301.1 million, a 13 percent increase over fiscal 1994. Comparable store sales increased a half of a percent for the year. Net income for the 53-week year was $9.8 million, or $0.62 per share, compared with the prior year's 52-week net income of $16.9 million, or $1.06 per share. Both fiscal 1995 and 1994 reflect non-recurring pretax income of $2.2 million, or $0.08 per share, and $4.2 million, or $0.16 per share, respectively. Adjusting for this non-recurring income, comparative earnings per share were $0.54 this year and $0.90 for last year.

As we look ahead, we are fully committed to our vision of establishing our specialty retail stores as a source for internationally recognized, quality branded merchandise, predominantly featuring our exclusive Boston Traders[Registered Trademark] brand. Our ability to deliver the right combination of value, quality and selection to the customer is supported by strong management and dedicated associates. We are committed to our associates by providing a "people-first" work culture that encourages initiative and innovation and rewards excellence. We are committed to our corporate values and we regard the knowledge, creativity and expertise of our associates as one of the significant competitive advantages that will affect our future growth.

[WATERMARK: SUPERIOR CUSTOMER SERVICE]

[WATERMARK: CASUAL LIFESTYLE]

[PHOTO: STORE FRONT VIEW OF DESIGNS STORE IN MANCHESTER, NEW HAMPSHIRE]

With our plans for growth come opportunities. We are committed to enhancing long-term value for our shareholders by strengthening our company and its financial performance. Future earnings growth over time will require a combination of increased comparable store sales, improved gross margins, incremental revenue generated from the opening of new stores, and continued monitoring and controlling of expenses.

Fiscal 1996 will continue to be one of building for the future. We will continue to move forward with the development of our Boston Traders[Registered Trademark] brand product lines and new store format. Once consumer acceptance of the new product lines has been established, we believe that the Boston Traders[Registered Trademark] brand will attract the finest mall and urban locations in the country, where we plan to grow and expand our presence. Our store expansion plans for 1996 will focus on the joint venture, with up to 10 new stores planned for the year.

[WATERMARK: DEDICATED ASSOCIATES]

We continue our long tradition of innovation in technology and education. We have recently upgraded our information systems hardware, merchandise management software and point of sale register systems to keep us in line with retail technology trends. These systems will provide our merchants and our store management team with enhanced information and management systems with which to leverage their resources, grow our business and respond to our customers' needs with greater speed and customized service. Our commitment to training our associates is stronger than ever and this year we brought into our company a new Director of Training to keep us at the leading edge of educational trends. Our people and their knowledge will be a critical and differentiating asset as we proceed with our long-term plans.

[WATERMARK: VERTICAL INTEGRATION]

In order to provide shareholders with more timely information and reduce production and distribution costs, we have established the Designs, Inc. Shareholder Information Line. By dialing 1-888-DESI-333, shareholders can hear a summary of Designs' most recent financial information and major news developments, including monthly sales and quarterly earnings releases. In addition, the shareholder information line enables shareholders to request financial information via mail or fax.

[WATERMARK: TECHNOLOGY AND EDUCATION]

Retail means change and I do not believe that any successful company rests on its laurels and past accomplishments. That is why we are building the vertically integrated Boston Traders[Registered Trademark] brand. In doing this, we are positioning Designs, Inc. to do what we do best: serve our customers. We will continue to seek out and satisfy our customers' wants and needs, solidifying our relationship with them, communicating with them, keeping their business and growing our customer base. To do this, we must become a product leader and we have focused our people, our energy and our resources on achieving this goal. This will strengthen our company, making it a place people want to shop, invest and work in, now and in the future.

[WATERMARK: FINANCIAL RESOURCES]

Sincerely,

[WATERMARK: QUALITY, SELECTION AND VALUE]

Joel H. Reichman
President and Chief Executive Officer

April 5, 1996

THE YEAR IN REVIEW

In January, Designs, Inc. introduced its new corporate logo, representing the company's confident spirit and progressive energy. It also reflects Designs, Inc.'s vision and strategy of establishing the company's specialty retail stores as a source for superior-quality branded casual apparel.

Designs, Inc. announced the appointment of William D. Richins as Chief Financial Officer effective April, 1995.

[PHOTO: A PAIR OF TIMBERLAND SHOES]

Designs, Inc. announced the signing of a purchase and sale agreement for certain assets of Boston Trading Ltd., Inc. to further establish the Designs stores as a source for superior-quality branded apparel. The assets acquired, at a cost of $6.0 million, included Boston Traders[Registered Trademark] and 18 other brand names, inventory and 33 existing Boston Traders[Registered Trademark] outlet store locations.

In May, the company's Board of Directors adopted a Shareholder Rights Plan designed to enhance the Board's ability to protect shareholder interests and to ensure that shareholders receive fair treatment in the event any coercive attempt to take over Designs, Inc. is made in the future. Also in May, Designs, Inc. completed its acquisition of certain assets of Boston Trading Ltd., Inc.

In September, Designs, Inc. announced the appointment of Mark S. Lisnow as Senior Vice President of Merchandising, to lead the merchandising and product development teams. Both teams will play an integral role in the development of the Boston Traders[Registered Trademark] brand product lines and the overall execution of Designs, Inc.'s strategy to establish the company as a superior-quality casual apparel retailer.

The company's joint venture Original Levi's[Registered Trademark] Store, located at 57th Street and Fifth Avenue in Manhattan, was awarded first place in the "Retail Store of the Year" design competition in the category of "Apparel Store over 10,000 Square Feet." The design competition was sponsored by CHAIN STORE AGE EXECUTIVE MAGAZINE.

[PHOTO: WOMAN IN LEVI'S[REGISTERED TRADEMARK] KNEELING ON CHAIR WITH MAN IN LEVI'S[REGISTERED TRADEMARK]]

[PHOTO: LEVI'S[REGISTERED TRADEMARK] JEAN JACKET]

In December, the company appointed J. Neal Vantosky as Vice President of Product Development, to direct the New York product development and sourcing office and oversee the designing and repositioning of the Boston Traders[Registered Trademark] brand product lines.

Also in December, Designs, Inc.'s product development and sourcing team, based in the company's office in New York City, was completely assembled, bringing together a talented team of seasoned veterans with significant experience in designing and sourcing private-label merchandise.

[PHOTO: INSIDE VIEW OF SILVERTAB[TRADEMARK] SECTION OF MANCHESTER, NEW
HAMPSHIRE DESIGNS STORE]

[PHOTO: PAIR OF LEVI'S[REGISTERED TRADEMARK] 501[REGISTERED TRADEMARK] JEANS]

For nearly twenty years, Designs, Inc. has maintained a pledge to its customers: to offer quality branded merchandise, value and service. We have prospered by knowing our customer and responding to his or her needs. This commitment has formed the cornerstone of our accomplishments, prepared us for future growth and positioned us well to pursue emerging opportunities.

[PHOTO: WOMAN LEANING AGAINST STOOL]
[CAPTION: FOR NEARLY TWENTY YEARS, DESIGNS, INC. HAS MAINTAINED A PLEDGE TO ITS CUSTOMERS: TO OFFER QUALITY BRANDED MERCHANDISE, VALUE AND SERVICE.]

CAPITALIZING ON OUR STRENGTHS

By sustaining our commitment to our customers, we believe we will continue to succeed as consumer and societal trends place increasing pressure on retailers. In general, customers are allocating less disposable income to apparel purchases, thus placing pressure on retailers to offer increasingly competitive pricing, value and selection to attract each dollar spent. Retail organizations must be able to respond quickly as the importance and rate of change in technology accelerate, creating customers who are more technologically aware and advanced. In light of faster-paced lifestyles and increased time pressure, customers also are seeking greater ease and convenience in their shopping experience. One trend is certain to remain constant: customers will continue to demand quality and value, accompanied by excellent service and competitive prices.

At Designs, Inc. we remain focused on our vision: to be a specialty retailer that provides internationally recognized, quality branded merchandise in a manner which creates a shopping experience that satisfies our target customers' casual lifestyle requirements. Designs, Inc. has a number of strengths that support this vision: extensive expertise in merchandising quality casual apparel; financial strength, as reflected in our balance sheet and cash flow; a customer base that appreciates the quality and value of recognized brand names; a strong, long-standing relationship with Levi Strauss & Co.; and a business strategy that incorporates new elements and leverages our traditional strengths to reposition the company in a new, stronger way.

Designs, Inc. is engaged in a multi-year effort to apply our strength and expertise as a retail merchandiser, developing our Boston Traders[Registered Trademark] brand and establishing ourselves as a vertically integrated retailer. More than a year ago, we identified our need to have a strong private label brand

[PHOTO: DOCKERS[REGISTERED TRADEMARK] SECTION OF THE DESIGNS STORE IN MANCHESTER, NEW HAMPSHIRE]

that would accomplish two important objectives. First, it should expand our presence in product lines underrepresented in our merchandise mix, such as tops, sweaters and outerwear, while complementing the other brands we offer. Second, it should give us the ability to provide value to our customers, yet create the opportunity for improved margins and profitability for our stores.

[PHOTO: LEVI'S[REGISTERED TRADEMARK] SHIRTS]
[CAPTION: IN KEEPING WITH OUR VISION OF WHO WE ARE, OUR STRATEGY SUPPORTS AND ENHANCES OUR COMMITMENT TO OFFER OUR CUSTOMERS QUALITY, SELECTION AND VALUE.]

Our merchandising experience led us to focus on and acquire the Boston Traders[Registered Trademark] brand. This acquisition also underscores our financial strength. We were able to acquire Boston Traders[Registered Trademark] and invest the capital and operating resources necessary to realize the potential that we perceive in the Boston Traders[Registered Trademark] brand. To date, this has included recruiting top-notch talent in product development, sourcing, logistics and merchandising to develop a new, updated Boston Traders[Registered Trademark] brand product line, including distinctive packaging and labeling for the brand. We also are redefining the brand identity for Boston Traders[Registered Trademark], including redesigning the logo and developing new store visual merchandising and fixturing to showcase the Boston Traders[Registered Trademark] brand product lines.

With a vision in place, high-quality brand name product lines offered in customer-friendly store formats, a sound balance sheet, and the help of our committed and talented associates, we believe that we will be able to execute our strategy effectively. In keeping with our vision of who we are, our strategy supports and enhances our commitment to offer our customers quality, selection and value.

FOCUSING ON GROWTH OPPORTUNITIES

Our strategy is to develop and market the Boston Traders[Registered Trademark] brand and new store design, establishing our exclusive private-label brand as an internationally known consumer brand with a unique identity.

We have set out to build upon the 25-year history and reputation of the well-known Boston Traders[Registered Trademark] brand of casual apparel, to ensure that our customers can continue to rely on it for quality, fit and style. It is our goal to have our Boston Traders[Registered Trademark] brand product lines be known as comfortable, classic clothing that is honest, authentic and functional. At the same time, the product lines will be modern,

[PHOTO: MAN AND WOMAN POSING IN KHAKIS AND SWEATERS]
[CAPTION: WE HAVE SET OUT TO BUILD UPON THE 25-YEAR HISTORY AND REPUTATION OF THE WELL-KNOWN BOSTON TRADERS[REGISTERED TRADEMARK] BRAND OF CASUAL APPAREL, TO ENSURE THAT OUR CUSTOMERS CAN CONTINUE TO RELY ON IT FOR QUALITY, FIT AND STYLE.]

[PHOTO: MAN AND CHILD POSING IN CASUAL APPAREL]
[CAPTION: WE BELIEVE THAT OUR DEDICATION TO PROVIDING THE CUSTOMER WITH A PRODUCTIVE, ENJOYABLE SHOPPING EXPERIENCE WILL HELP TO FOSTER LOYALTY TO OUR STORES AND ULTIMATELY CONTRIBUTE TO OUR...COMPANY'S SUCCESS.]

[PHOTO: INSIDE VIEW OF BOSTON TRADERS[REGISTERED TRADEMARK] OUTLET STORE, GURNESS MILLS, ILLINOIS]

eclectic and innovative, giving the customer a chance to reveal his or her own personality and sense of style.

Together with our other branded product lines, our balanced Boston Traders[Registered Trademark] brand merchandise assortment for men and women will provide a complete casual lifestyle wardrobe for our customers. It will establish our stores as the source to fulfill all of their casual apparel needs and it will build consumer loyalty for the Boston Traders[Registered Trademark] brand. It also will establish a strategic niche within the retail industry for Designs, Inc.

Controlling and managing our own private brand presents opportunities for growth and expansion. With a broader merchandise selection, we hope to increase sales and improve the tops-to-bottoms sales ratio with incremental sales of shirts, sweaters and knitwear. We also have a unique opportunity to reposition the image of the Boston Traders[Registered Trademark] brand, creating a distinct line of high-quality casual apparel that is intended to allow us to extend our new store format and presence into new markets.

CREATING A DISTINCTIVE SHOPPING EXPERIENCE

In addition to our merchandising strategy, we continue to develop our store design and fixturing to showcase our product lines. We want our stores to be attractive, exciting and inviting - to differentiate them from other retail stores and to provide our customers with an atmosphere that is consistent, readily identifiable and easy to shop.

By far, the most important factor which differentiates us from competitors is our absolute commitment to customer service. We believe that our dedication to providing the customer with a productive, enjoyable shopping experience will help to foster loyalty to our stores and ultimately contribute to our company's success. Our sales associates consistently receive praise from our customers for their attentive, knowledgeable service and courteous professionalism.

Our success as a company is due to the contribution of each of our associates and, accordingly, they represent one of our most valuable assets. Designs, Inc. provides training and professional development programs for our associates throughout their careers, strengthening their skills and enhancing their responsibilities. In addition, we encourage a sense of personal responsibility, initiative and balance in the lives of each of our associates. We do this while fostering a strong commitment to the company, teamwork, a solid work ethic, and the attainment of our common goals.

STRENGTHENING OUR ORGANIZATION

As we continue to plan for our company's future growth and development, we have devoted the energy and resources necessary to ensure that we have the infrastructure in place to achieve our goals. This past year, Designs, Inc. hired several key executives in merchandising, product development and finance who possess substantial experience in the retail industry, deepening and broadening the experience and knowledge base of our management team.

[PHOTO: TIMBERLAND[REGISTERED TRADEMARK]-- BOOTS]
[CAPTION: OUR GROWTH STRATEGY FOCUSES ON CREATING A BALANCE BETWEEN CONTINUING AND STRENGTHENING THE CONTRIBUTION OF OUR EXISTING BUSINESSES AND EXPANDING OUR MARKET PRESENCE THROUGH NEW VENTURES.]

As we have done in the past, we continue to invest in state-of-the-art systems and technology to meet our evolving needs. Our New York City product development team has significant experience in designing and sourcing merchandise and is working to redesign and further develop our Boston Traders[Registered Trademark] brand product line. We also have assembled a logistics team and established a third-party warehouse to provide storage and distribution capacity to move our Boston Traders[Registered Trademark] brand merchandise and to ensure on-time, cost-effective delivery.

Going forward, we will continue to develop our worldwide sourcing capabilities, management information systems and training programs to support the company's expansion. In fiscal 1996, we will invest in a significant upgrade and expansion of our merchandising and store point-of-sale information systems to effectively manage our expanding product lines. With the growth and development of our organization, we have moved and expanded our corporate offices to accommodate our additional space requirements, and to provide us with educational and training facilities as well as space to experiment with new visual merchandising formats, fixtures and store design. Our continuous improvements in the company's infrastructure are intended to better serve the needs of our customers and our stores.

Our growth strategy focuses on creating a balance between continuing and strengthening the contribution of our existing businesses and expanding our market presence through new ventures. Our efforts in developing both aspects of our business are executed with a diligent commitment to monitoring and controlling costs, and to using our resources wisely. While we build the infrastructure necessary for our planned future expansion, we will maintain our objective of controlled growth, focused on enhanced competitiveness and long-term profitability.

[PHOTO: MAN POSING IN CASUAL APPAREL]

Our experience and resources will serve us well during this period of transition and growth. We have a very strong foundation on which we are building our own unique brand identity. Our strategy is being implemented for the purpose of both creating opportunity and strengthening our position in the marketplace. At Designs, Inc. we are committed to establishing our company and our stores as a product leader of quality branded casual apparel.

[CAPTION: Levi's[REGISTERED TRADEMARK] Outlet Store, Freeport, Maine]

[PHOTO: INSIDE VIEW OF THE LEVI'S[REGISTERED TRADEMARK] OUTLET STORE IN FREEPORT, MAINE]

SELECTED FINANCIAL DATA

	Fiscal Years Ended(1)				
	February 3, 1996	January 28, 1995	January 29, 1994	January 30, 1993	February 1, 1992(2)
	(IN THOUSANDS, EXCEPT PER SHARE DATA AND OPERATING DATA)				
INCOME STATEMENT DATA:					
Sales	$301,074	$265,910	$240,925	$204,329	$150,820
Gross profit, net of occupancy costs	89,085	84,126	75,221	65,465	44,331
Income before provision for income taxes	16,940(3)	28,399(3)	9,507(4)	20,587	8,157
Net income	9,773	16,903	5,748	12,320	4,784
Net income per common and common equivalent share(5)	0.62	1.06	0.36	0.84	0.40
Weighted average common and common equivalent shares outstanding(5)	15,770	15,914	15,916	14,666	11,954
BALANCE SHEET DATA:					
Working capital	$ 64,557	$ 55,725	$ 35,671(4)	$ 55,913	$ 32,848
Inventories	58,008	52,649	46,664	42,578	28,713(2)
Property and equipment, net	36,083	26,503	22,922	20,747	20,270
Total assets	132,649	127,295	119,556	102,465	69,427
Long-term debt(6)	1,000	--	10,000	13,000	20,000
OPERATING DATA:					
Number of stores open at end of period	157(8)	120(7)	120	110	106

(1) The Company's fiscal year is a 52- or 53-week period ending on the Saturday closest to January 31. The fiscal years ended February 3, 1996 and February 1, 1992 covered 53 weeks.

(2) Reflects a change in the method of valuing merchandise inventories from lower of cost or market under the first-in, first-out method to the lower of cost or market under the last-in, first-out method.

(3) Includes $2.2 million and $3.2 million of non-recurring income in fiscal years 1995 and 1994, respectively related to the fiscal 1993 restructuring program.

(4) Includes $15.0 million restructuring charge.

(5) Adjusted to give retroactive effect to two 50% stock dividends paid on June 22, 1993 and June 1, 1992 to holders of Common Stock at the close of business on June 8, 1993 and April 21, 1992, respectively.

(6) Includes current portion of long-term debt. Fiscal 1995 includes the $1 million promissory note issued in conjunction with the acquisition of certain assets of Boston Trading Ltd., Inc. ("Boston Trading") on May 2, 1995.

(7) Excludes the two Dockers[Registered Trademark] Shops and one Original Levi's[Registered Trademark] Store which were sold on January 28, 1995 as well as the fifteen stores which were closed in connection with the restructuring program.

(8) Includes the 33 Boston Traders[Registered Trademark] outlet stores which were acquired as part of the acquisition of certain assets of Boston Trading.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

	Fiscal Years Ended (1)				
	Feb. 3, 1996 (Fiscal 1995)	Jan. 28, 1995 (Fiscal 1994)	Jan. 29, 1994 (Fiscal 1993)	Jan. 30, 1993 Fiscal 1992)	Feb. 1, 1992 (Fiscal 1991)
Total Sales ($000's)	$301,074	$265,910	$240,925	$204,329	$150,820
Number of stores in operation at end of year:					
STORE TYPE					
Designs	49	51	64	64	68
Levi's[Registered Trademark] Outlets by Designs	58	61	48	41	38
Boston Traders[Registered Trademark] outlets	35	--	--	--	--
Joint Venture(2)	15	8	8	5	--
	157	120	120	110	106
Comparable stores	97	91	102	97	82
Store sales growth	13%	10%	18%	35%	25%
Comparable store sales growth	0.5%	(5%)	6%	26%	7%

(1) The Company's fiscal year is a 52- or 53-week period ending on the Saturday closest to January 31. The fiscal years ended February 3, 1996 and February 1, 1992 covered 53 weeks. Comparable store sales for fiscal 1995 were compared to the comparable store sales for the same 53-week period in fiscal 1994.

(2) Until January 28, 1995, the eight then existing Original Levi's[Registered Trademark] Stores were 100% owned by the Company. See discussion of the Joint Venture below.

RESULTS OF OPERATIONS

SALES
Sales for fiscal 1995, which ended on February 3, 1996, rose to $301.1 million, compared with fiscal 1994 sales of $265.9 million and fiscal 1993 sales of $240.9 million. There were 53 weeks in fiscal 1995 and 52 weeks in each of fiscal 1994 and 1993. Total sales growth in fiscal 1995 and 1994 is primarily attributable to the opening of new stores, net of stores closed, and the expansion of existing stores. Comparable store sales decreased 5% in fiscal 1994 as compared with fiscal 1993, due primarily to a decrease in unit sales of 11%, partially offset by an 8% increase in average unit price as compared to the prior year.

GROSS MARGIN
Gross margin rate (including the costs of occupancy) equaled 29.6% of sales for fiscal 1995, 31.6% in fiscal 1994 and 31.2% in fiscal 1993. The decrease in fiscal 1995 of 2 percentage points as compared to fiscal 1994 was primarily attributable to a 1.3 percentage point decrease in merchandise margins as a result of increased promotional activity associated with the competitive retail environment, partially offset by a $924,000 benefit for LIFO. In addition, there was an increase in occupancy costs of 0.7 percentage points. The increase in fiscal 1994 from fiscal 1993 was primarily due to an increase in the percentage of business generated from the higher margin Levi's[Registered Trademark] Outlet by Designs stores and Original Levi's[Registered Trademark] Stores and a $200,000 benefit for LIFO. This increase was offset slightly by a decrease in initial markups in the Levi's[Registered Trademark] Outlet by Designs stores and Designs stores, continued price competition in the Designs stores, and higher occupancy costs in the Original Levi's[Registered Trademark] Stores and remodeled Designs stores. The increased total sales at this gross margin rate resulted in a 12% increase in gross margin dollars to $84.1 million for fiscal 1994 versus $75.2 million in fiscal 1993. The Company reviews its inventory levels in order to identify slow-moving merchandise and uses markdowns to clear merchandise.

SELLING, GENERAL AND ADMINISTRATIVE
Selling, general and administrative expenses as a percentage of sales were 22.2% in fiscal 1995 as compared to 19.9% in fiscal 1994. The increase was primarily attributable to ongoing infrastructure expenses incurred in fiscal 1995 associated with the development of the Boston Traders[Registered Trademark] brand. This increase was offset by one half of a percentage point decrease in store payroll. For fiscal 1994, selling, general and administrative expenses were 19.9% of sales as compared with 18.5% of sales in fiscal year 1993. Store payroll, which was the largest component of these

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

operating expenses, increased to 10.7% of sales in fiscal 1994 from 10.2% in fiscal 1993, due primarily to increased payroll as a percentage of sales in the Levi's[Registered Trademark] Outlet by Designs stores and Designs stores. The increase in selling, general and administrative expenses in fiscal 1994 also included increased advertising costs attributable to enhanced corporate marketing efforts. These increases in fiscal 1994 were partially offset by a $1.0 million gain related to the sale of the Company's Original Levi's[Registered Trademark] Store in Minneapolis, Minnesota, and the Company's two Dockers[Registered Trademark] Shops located in Minneapolis, Minnesota and Cambridge, Massachusetts. In addition, Levi's Only Stores, Inc. paid the Company $875,000 for services, contributions and risks taken by the Company for its assistance in the development of the Original Levi's[Registered Trademark] Store concept in the United States. A substantial portion of this amount offset previously recognized costs which were incurred by the Company during fiscal 1994.

RESTRUCTURING

In fiscal 1993, the Company recorded a non-recurring pre-tax charge of $15.0 million to cover the costs associated with the closing of 15 of its poorest performing Designs stores. The earnings and cash flow benefit derived from the restructuring totaled $2.7 million and $2.0 million for fiscal 1995 and $1.6 million and $1.4 million for fiscal year 1994, respectively. The costs to close these 15 stores totaled $9.6 million, comprised of $6.1 million cash and $3.5 million of noncash costs. Total costs of $9.6 million to close the 15 stores were less than the original pre-tax $15.0 million estimate, primarily due to favorable negotiations with landlords. The remaining reserve was recognized in fiscal 1995 and fiscal 1994 as non-recurring pre-tax income in the amounts of $2.2 million and $3.2 million, respectively.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for fiscal year 1995 increased to $8.8 million from $6.9 million in fiscal 1994 and $5.9 million in fiscal 1993, primarily due to costs associated with new and remodeled stores. See "Liquidity and Capital Resources - Capital Expenditures."

INTEREST EXPENSE

Interest expense in fiscal 1995 decreased to $196,000, compared with $609,000 in fiscal 1994 and $1.5 million in fiscal 1993. This decrease is attributable to interest cost savings associated with the prepayment of $6.0 million in the first quarter of fiscal year 1994 and the retirement of the remaining $4.0 million of the Company's 1989 Senior Notes in the second quarter of fiscal 1994. Fiscal 1994 interest expense also included a prepayment penalty and accelerated write-off of debt issuance costs of approximately $350,000 related to the prepayment.

INTEREST INCOME

Interest income for fiscal 1995 increased to $1,591,000 from $1,477,000 in fiscal 1994 and $1,382,000 in fiscal 1993. This increase in fiscal 1995 was primarily attributable to improved interest rates. The increase in interest income for fiscal 1994 as compared to fiscal 1993 is attributable to higher cash and investments levels offset by $433,000 of losses associated with the sale of certain long-term investments. See "Liquidity and Capital Resources."

NET INCOME

Net income for fiscal 1995 was $9.8 million or $0.62 per share compared with $16.9 million or $1.06 per share in fiscal 1994 and $5.7 million or $0.36 per share in fiscal 1993. Each of these years have been impacted by income (charge) related to restructuring, as discussed above, of $2.2 million or $0.08 per share, $3.2 million or $0.12 per share and ($15 million) or ($0.56) per share for the fiscal years 1995, 1994 and 1993, respectively. In fiscal 1994, the Company also recognized non-recurring pre-tax income of $1.0 million or $0.04 per share related to the sale of certain stores, as discussed above.

SEASONALITY

	Fiscal 1995		Fiscal 1994		Fiscal 1993	
	(Sales Dollars In Thousands)					
First quarter	$ 57,337	19.0%	$ 48,960	18.4%	$ 43,944	18.2%
Second quarter	66,993	22.3%	56,390	21.2%	51,337	21.3%
Third quarter	89,217	29.6%	80,755	30.4%	73,525	30.5%
Fourth quarter	87,527	29.1%	79,805	30.0%	72,119	30.0%
	$301,074	100.0%	$265,910	100.0%	$240,925	100.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

A comparison of sales in each quarter of the past three fiscal years is presented on the preceding page. The amounts shown are not necessarily indicative of actual trends, since such amounts also reflect the addition of new stores, closing of stores and the remodeling of others during these periods. Historically, the Company has experienced seasonal fluctuations in revenues and income, with increases occurring during the Company's third and fourth quarters as a result of "Back to School" and "Holiday" seasons. A comparison of quarterly sales, gross profit, net income and net income per share for the past two fiscal years is presented in Note N of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of the Company's liquidity, capital resources, and capital expansion plans 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. Actual results and strategic directions may differ from those estimates and assumptions. 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 April 30, 1996, which identifies certain risks and uncertainties that may impact the future earnings and direction of the Company.

The Company's primary cash needs are for operating expenses, including cash outlays associated with the development of the Boston Traders[Registered Trademark] brand product line, seasonal inventory purchases, and capital expenses for new and remodeled stores and acquisitions.

In June 1994, Levi Strauss & Co. informed the Company that it wanted to focus the future relationship between the two companies on the Original Levi's[Registered Trademark] Stores joint venture and to reduce the Company's dependency on Levi Strauss & Co. brands. Levi Strauss & Co. informed the Company that it did not see a growth opportunity for the Company's Designs stores in the exclusively Levi's[Registered Trademark] format. However, Levi Strauss & Co. informed the Company that it did see an opportunity for growth of the Company's Designs stores if the format was changed to a multi-brand format. Levi Strauss & Co. advised the Company that it believed that this would avoid consumer confusion between the Original Levi's[Registered Trademark] Stores and Designs stores. According to Levi Strauss & Co., this would require that not more than 70% of the product mix in the Designs stores be Levi Strauss & Co. product, that the format and presentation of the stores be "supportive" of its marketing and brand objectives and that Levi Strauss & Co. approve that format beforehand. If the Company does change the format and expand the Designs store chain, Levi Strauss & Co. has said that it will require that the Company's existing Designs stores be converted to the new multi-brand format over a mutually agreeable period of time.

In the second quarter of fiscal 1995 the Company acquired certain assets of Boston Trading, as discussed more fully below. This acquisition was completed so that the Company would own the Boston Traders[Registered Trademark] brand and certain Boston Traders[Registered Trademark] outlet store assets. The Company currently plans to use the Boston Traders[Registered Trademark] brand to transition from a single vendor retailer to a vertically integrated retailer featuring the Boston Traders[Registered Trademark] brand and select Levi Strauss & Co. brands. As a result of this acquisition, the Company expects to incur, on an annual basis, approximately $5.0 million of on-going expenses associated with the design, sourcing, distribution and merchandising of the Boston Traders[Registered Trademark] brand and increased working capital needs to support the merchandising of the Boston Traders[Registered Trademark] brand in its stores. In fiscal 1997 the Company plans to open new speciality stores which will predominantly feature Boston Traders[Registered Trademark] brand product. Based on the level of consumer acceptance of the brand, the Company plans, barring unforeseen circumstances, to expand this new concept nationally. The Company believes that Levi Strauss & Co. would apply the same new branch opening policies and practices to the Company's expansion of this new store format that are applicable to other retailers of Levi Strauss & Co. products. The Company currently plans to fund this expansion through existing cash from operations.

WORKING CAPITAL AND CASH FLOWS

The following table provides financial data regarding the Company's liquidity position for each fiscal year:

	Fiscal Years		
	1996	1995	1994
	(Dollars in thousands)		
Cash provided by operations	$10,770	$20,818	$13,491
Working Capital	64,557	55,725	35,671
Current Ratio	4.3:1	3.1:1	2.1:1

To date, the Company has financed its working capital requirements and expansion program with cash flow from operations, borrowings and proceeds from Common Stock offerings. Cash provided by operating activities was $10.8 million, $20.8 million and $13.5 million in fiscal 1995, 1994, and 1993, respectively. The Company's reduced cash flow from operations in

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

fiscal 1995 reflects a decrease in earnings before depreciation due to additional infrastructure costs associated with the development of the Boston Traders[Registered Trademark] brand, increased operating expenses associated with the acquired Boston Traders[Registered Trademark] outlet stores and the timing of other working capital accounts. The Company's working capital at February 3, 1996 was approximately $64.6 million as compared to $55.7 million in the prior year. The $8.9 million increase was attributable to an increase in inventory in connection with the Boston Trading acquisition, the maturity of certain long-term investments and final payments under the Company's restructuring program.

At February 3, 1996, the Company had cash and investments totaling $26.0 million and a $1.0 million promissory note issued in connection with the Boston Trading acquisition discussed below. The following table provides a comparative analysis of the Company's cash and investments at the end of fiscal 1995 and 1994:

	February 3, 1996 (Fiscal 1995)	January 28, 1995 (Fiscal 1994)
	(In thousands)	
Cash and cash equivalents	$13,941	$22,424
Short-term investments	5,978	--
Long-term investments	6,050	15,831
Total cash and investments	$25,969	$38,255

Long-term investments of $6.1 million at February 3, 1996 consisted of government securities with a weighted-average maturity of 2.7 years and an average interest rate of 5.1%. Long-term investments of $15.8 million at January 28, 1995 consisted of government securities with a weighted-average maturity of approximately 3.2 years and an average interest rate of 6.2%.

At February 3, 1996, total inventories were up $5.4 million, or 10%, from January 28, 1995. This increase is primarily due to an increase in the number of joint venture stores and inventory purchased as part of the Boston Trading acquisition, offset partially by a reduction of inventory due to closed stores and continued efforts by the Company to manage inventory levels.

In August 1995, Levi Strauss & Co., the Company's principal vendor, changed its payment terms with the Company to payment due within 30 days of invoice from payment within 10 days after the month in which the goods are received. In the second quarter of fiscal 1995, the Company began sourcing its own merchandise with various off-shore vendors. To date, payment to these vendors have been through the issuance of letters of credit, which require payment upon shipment of merchandise.

The Company anticipates that use of this payment method will be proportionate to its Boston Traders[Registered Trademark] product purchases.

The Company entered into a revolving credit agreement which provides for a $20.0 million facility through May 31, 1997. During the second quarter of fiscal 1995, the Company signed an amendment to this agreement, which provides that $5.0 million of the $20.0 million line of credit may be used as a letter of credit facility for purchases of inventory. At February 3, 1996, $3.0 million of the $5.0 million was available for the issuance of letters of credit. During fiscal year 1995, the Company had average short-term borrowings of $341,000.

During the third quarter of 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 did not repurchase any shares of the Company's Common Stock during fiscal 1995. In fiscal 1994, the Company repurchased and retired 300,000 shares at a cost of $2.3 million. The retirement of shares was accounted for as a reduction in Common Stock and additional paid-in capital.

CAPITAL EXPENDITURES

The Company believes that its cash and liquid assets, operating cash flows, access to capital markets and borrowing capacity taken together provide adequate resources to fund ongoing operating requirements and planned capital expenditures.

The following table lists the stores opened and remodeled and capital expenditures for those stores for the fiscal years presented:

	1995	1994	1993
Levi's[Registered Trademark] Outlet by Designs	--	15	7
Designs	11	--	
Boston Traders[Registered Trademark] outlets	2	--	--
Dockers[Registered Trademark] Shop	--	--	1
Joint venture:			

Original Levi's[Registered Trademark] Stores	3	4	2
Levi's[Registered Trademark] Outlets	4	--	--
Total new stores	10	20	10
Remodeled Designs	11	3	3
Remodeled Levi's[Registered Trademark] Outlet by Designs	7	14	--
Total remodeled stores	18	17	3
Capital expenditures (000's)	$10,971	$ 9,500	$ 5,100

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

On May 2, 1995, the Company acquired certain assets of Boston Trading in accordance with the terms of an Asset Purchase Agreement dated April 21, 1995. The Company paid $5.4 million in cash, financed by operations, and delivered a non-negotiable promissory note in the principal amount of $1.0 million. The principal amount of the promissory note is payable in two equal annual installments through May 1997. The purchase price has been allocated to the assets acquired, including certain intangible assets, such as trademarks and licensing agreements, based on their respective values. Other assets acquired included all inventory and fixed assets associated with 33 then existing Boston Traders[Registered Trademark] outlet stores.

On January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company, and a subsidiary of Levi's Only Stores, Inc., a wholly-owned subsidiary of Levi Strauss & Co., entered into a partnership agreement (the "Partnership Agreement") to sell Levi's[Registered Trademark] brand products and jeans-related products. The joint venture that was established by the Partnership Agreement is known as The Designs/OLS Partnership (the "Partnership"). The term of the joint venture is ten years; however, the Partnership Agreement contains certain exit rights that enable either partner to buy or sell their interest in the joint venture after five years. The Company previously announced that the Partnership may open up to thirty-five to fifty Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlets throughout eleven Northeast states and the District of Columbia through the end of fiscal 1999. At the end of fiscal 1995, there were eleven Original Levi's[Registered Trademark] Stores and four Levi's[Registered Trademark] Outlets.

In connection with the formation of the joint venture, Designs JV Corp. contributed, for a 70% interest in the joint venture, eight of the Company's then existing Original Levi's[Registered Trademark] Stores and three leases for unopened stores. At the same time, LDJV Inc., the joint venture subsidiary of Levi's Only Stores, Inc., contributed approximately $4.7 million in cash to the joint venture in exchange for a 30% interest. During fiscal 1995, the Partnership opened three Original Levi'sRegistration Mark Stores and four Levi's[Registered Trademark] Outlet stores, which were funded by working capital and partner contributions of $3.6 million and $1.6 million from Designs JV Corp. and LDJV Inc., respectively.

It is the intention of the partners in the joint venture that the joint venture's working capital and funds for its future expansion will come from the joint venture's operations, capital contributions, loans from the partners and borrowings from third parties.

In June 1994, Levi Strauss & Co. advised the Company that it did not see any additional growth in the Levi's[Registered Trademark] Outlet by Designs store format, other than additional outlet stores that might be opened by the Partnership. As such, the Company does not currently plan to open any Levi's[Registered Trademark] Outlet by Designs stores during fiscal 1996. In addition, the joint venture is opening its own outlets, which may impact the availability of goods to the Levi'sRegistration Mark Outlet by Designs stores.

Present plans are that future growth of the Company will be derived from the expansion of new stores that will feature the Boston Traders[Registered Trademark] brand and stores opened under the joint venture. The Company estimates that capital expenditures during fiscal 1996 will be approximately $17.0 million, which will be used to remodel three existing stores, open up to ten new joint venture stores, relocate corporate facilities, and enhance management information systems.

The Company continually evaluates discretionary investments in new projects that may complement its existing business. Further, as leases expire, the Company continues to evaluate the performance of its existing stores. As a result of this process, certain store locations could be closed or relocated within a center, in the future.

RECENT ACCOUNTING PRONOUNCEMENTS

In March 1995, Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed of" was issued. This statement establishes guidelines for recognizing and measuring impairment losses, requiring the carrying amount of impaired assets to be reduced to fair value whenever events or changes in circumstances suggest that the carrying value of the assets may not be recoverable. The Company will be required to adopt this statement for fiscal year 1996.

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") was issued and requires the Company to elect either expense recognition under FAS 123 or its disclosure-only alternative for stock-based employee compensation. FAS 123 must be adopted in the Company's fiscal 1996 financial statements with comparable disclosures for prior years. The Company has elected the disclosure-only alternative and accordingly, the Company will be required to disclose the pro forma net income or loss and per share amounts in the notes to the consolidated financial statements using the fair value based method beginning in fiscal 1996 with comparable disclosures for fiscal 1995. The Company has not yet determined the impact of these pro forma adjustments.

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.

CONSOLIDATED BALANCE SHEETS
February 3, 1996 and January 28, 1995

	February 3, 1996 (Fiscal 1995)	January 28, 1995 (Fiscal 1994)
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,941	$ 22,424
Short-term investments	5,978	--
Accounts receivable	473	4,223
Inventories	58,008	52,649
Deferred income taxes (Note E)	922	1,579
Pre-opening costs, net	884	481
Prepaid expenses	3,968	1,213
Total current assets	84,174	82,569
Property and equipment, net of accumulated depreciation and amortization (Note B)	36,083	26,503
Other assets:		
Long-term investments (Note C)	6,050	15,831
Deferred income taxes (Note E)	2,698	1,771
Intangible assets (Note L)	2,901	--
Other assets	743	621
Total assets	$132,649	$127,295
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 8,185	$ 13,210
Accrued expenses and other current liabilities	8,346	5,944
Accrued rent	2,586	7,690
Current portion of long-term note (Note L)	500	--
Total current liabilities	19,617	26,844
Long-term note payable (Note L)	500	--
Commitments and contingencies (Note F)		
Minority interest (Note K)	6,447	4,749
Stockholders' equity (Note G):		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, none issued		
Common Stock, $0.01 par value, 50,000,000 shares authorized, 15,818,000, and 15,755,000 shares issued at February 3, 1996 and January 28, 1995, respectively	158	157
Additional paid-in capital	52,767	52,619
Retained earnings	53,160	42,926
Total stockholders' equity	106,085	95,702
Total liabilities and stockholders' equity	$132,649	$127,295

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

CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ending February 3, 1996, January 28, 1995 and January 29, 1994

	Fiscal 1995	Fiscal 1994	Fiscal 1993
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Sales	$301,074	$265,910	$240,925
Cost of goods sold including occupancy	211,989	181,784	165,704
Gross profit	89,085	84,126	75,221
Expenses:			
Selling, general and administrative	66,988	52,916	44,677
Restructuring (income) charges (Note J)	(2,200)	(3,200)	15,000
Depreciation and amortization	8,752	6,879	5,885
Total expenses	73,540	56,595	65,562
Operating income	15,545	27,531	9,659
Interest expense	196	609	1,534
Interest income	1,591	1,477	1,382
Income before minority interest, income taxes and cumulative effect of change in accounting for income taxes	16,940	28,399	9,507
Less minority interest (Note K)	425	--	--
Income before income taxes and cumulative effect of change in accounting for income taxes	16,515	28,399	9,507
Provision for income taxes (Note E)	6,742	11,496	3,838
Income before cumulative effect of change in accounting for income taxes	9,773	16,903	5,669
Cumulative effect of change in accounting for income taxes (Note A)	--	--	79
Net income	$ 9,773	$ 16,903	$ 5,748
Income before cumulative effect of change in accounting per common and common equivalent share	$ 0.62	$ 1.06	$ 0.36
Cumulative effect of change in accounting per common and common equivalent share	--	--	N/M
Net income per common and common equivalent share	$ 0.62	$ 1.06	$ 0.36
Weighted average common and common equivalent shares outstanding	15,770	15,914	15,916

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

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the fiscal years ending February 3, 1996, January 28, 1995 and January 29, 1994

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
			(In thousands)		
Balance at January 30, 1993	15,858	$159	$53,449	$20,768	$ 74,376
Issuance of Common Stock:					
Exercises under option programs	102	1	1,058(1)	--	1,059
Net income	--	--	--	5,748	5,748
Balance at January 29, 1994	15,960	$160	$54,507	$26,516	$ 81,183
Issuance of Common Stock:					
Exercises under option programs	95	--	438(1)	--	438
Retirement of shares under the stock repurchase program	(300)	(3)	(2,326)	--	(2,329)
Unrealized loss on investments				(493)	(493)
Net income				16,903	16,903
Balance at January 28, 1995	15,755	$157	$52,619	$42,926	$ 95,702
Issuance of Common Stock:					
Exercises under option programs	63	1	148(1)	--	149
Unrealized gain on investments	--	--	--	461	461
Net income				9,773	9,773
Balance at February 3, 1996	15,818	$158	$52,767	$53,160	$106,085

(1)Including related tax benefit.

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

STATEMENTS OF CASH FLOWS
For the fiscal years ending February 3, 1996, January 28, 1995, and January 29, 1994

	Fiscal 1995	Fiscal 1994	Fiscal 1993
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 9,773	$ 16,903	$ 5,748
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	8,752	6,879	5,885
Deferred income taxes	(560)	4,251	(6,385)
Minority interest	425	--	--
Gain on sale of stores	--	(1,069)	--
Loss from sale of investments	71	464	145
Loss (Gain) from disposal of property and equipment	1,382	134	(348)
Changes in operating assets and liabilities, net of acquisition:			
Accounts receivable	3,750	(13)	(219)
Inventories	(2,342)	(8,360)	(4,086)
Prepaid expenses	(2,656)	15	(533)
Prepaid income taxes	--	(28)	--
Income taxes payable	(98)	(1,374)	1,301
Accounts payable	(5,025)	6,502	(2,904)
Restructuring reserve	--	(6,422)	15,000
Accrued expenses and other current liabilities	2,402	2,948	(703)
Accrued rent	(5,104)	(12)	590
Net cash provided by operating activities	10,770	20,818	13,491
Cash flows from investing activities:			
Additions to property and equipment	(18,021)	(12,604)	(8,116)
Incurrence of pre-opening costs	(1,582)	(809)	(440)
Proceeds from disposal of property and equipment	92	75	1,061
Sale (Purchase) of investments	4,483	8,971	(13,912)
(Increase) Reduction in other assets	(218)	(486)	97
Net cash used for investing activities	(15,246)	(4,853)	(21,310)
Cash flows from financing activities:			
Payment for acquisition of a business	(5,428)	--	--
Repayments of long-term debt	--	(10,000)	(3,000)
Repurchase of common stock	--	(2,329)	--
Proceeds from minority shareholder of joint venture	1,560	4,749	--
Distributions to minority shareholder	(287)	--	--
Issuance of common stock under option program (1)	148	438	1,059
Net cash used for financing activities	(4,007)	(7,142)	(1,941)
Net increase (decrease) in cash and cash equivalents	(8,483)	8,823	(9,760)
Cash and cash equivalents:			
Beginning of the year	22,424	13,601	23,361
End of the year	$ 13,941	$ 22,424	$ 13,601

(1)Including 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") is engaged in the retail sales of clothing and accessories. Levi Strauss & Co. is the most significant vendor of the Company, representing a majority of the Company's merchandise purchases.

BASIS OF PRESENTATION
The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts, transactions and profits are eliminated. Certain prior year amounts have been reclassified to conform with current year presentation.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those 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 1995, 1994, and 1993 ended on February 3, 1996, January 28, 1995, and January 29, 1994, respectively. Fiscal year 1995 was a 53 week period, whereas fiscal 1994 and 1993 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
Merchandise inventories are valued at the lower of cost or market using the retail method on the last-in first-out basis ("LIFO"). If inventories had been valued on the first-in first-out basis ("FIFO"), inventories at February 3, 1996 and January 28, 1995 would be approximately $58,809,000 and $54,372,000 respectively. The benefit from LIFO was $924,000 and $200,000 in fiscal 1995 and 1994, 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 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	Five years

INVESTMENTS
The Company's investments, consisting primarily of government securities, are classified as available for sale and are recorded at fair value, in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Fair value is based upon quoted market prices on the last day of the fiscal year. Unrealized changes in value are recorded as a separate component of stockholders' equity, net of the related deferred tax asset or liability.

PRE-OPENING COSTS
Store opening costs, consisting primarily of payroll, are capitalized when incurred and charged to expense during the first 12 months of store operations. Amortization expense of pre-opening costs were $1,180,000 and $433,000 for fiscal 1995 and 1994, respectively.

INCOME TAXES
In the first quarter of fiscal 1993, the Company adopted SFAS No. 109 "Accounting for Income Taxes". In connection with such adoption, the Company recorded an income tax benefit of $79,000 or $0.01 per share. This amount has been reflected in the consolidated statement of income for the year ended January 29, 1994 as the cumulative effect of an accounting change.

MINORITY INTEREST
As more fully discussed in Note K, minority interest at February 3, 1996 and January 28, 1995 represents LDJV Inc.'s 30% interest in a joint venture with Designs JV Corp., a wholly-owned subsidiary of the Company. LDJV Inc. is a wholly-owned subsidiary of Levi's Only Stores, Inc., which is a wholly-owned subsidiary of Levi Strauss & Co.

BANK CHARGES
Bank charges related to credit card sales are recorded as selling expenses.

ADVERTISING COSTS
Advertising costs are expensed as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

STOCK SPLITS
Retroactive effect is given to the Company's payment on June 22, 1993 of a 3-for-2 stock split effected in the form of a 50% stock dividend on its Common Stock to its stockholders of record on June 8, 1993. All share and per share data have been restated to reflect this stock split.

NET INCOME PER SHARE
Net income per share of Common Stock is based upon the weighted average number of common, and when greater than 3% dilutive, common equivalent shares outstanding during the period. Common equivalent shares result from the assumed exercise of dilutive stock options.

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 did not repurchase any shares of the Company's common stock during fiscal 1995. During fiscal 1994, the Company repurchased and retired 300,000 shares at a cost of $2,329,000. The retirement of shares was accounted for as a reduction in common stock and additional paid-in capital.

B. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	February 3, 1996	January 28, 1995
	(IN THOUSANDS)	
Motor vehicles	$ 169	$ 79
Store furnishings	20,589	16,273
Equipment	7,708	6,503
Leasehold improvements	30,978	25,513
Purchased software	2,576	1,054
Construction in progress	365	34
	62,385	49,456
Less accumulated depreciation	26,302	22,953
Total property and equipment	$36,083	$26,503

C. INVESTMENTS

At February 3, 1996, and January 28, 1995, the Company's investment securities were classified as available-for-sale and reported at fair value, including net unrealized losses of $68,000 and $804,000 respectively.

Investments were as follows:

	February 3, 1996		January 28, 1995	
	Cost	Fair Value	Cost	Fair Value
	(IN THOUSANDS)			
Short Term Investments:				
Mortgage-backed securities	$5,993	$5,978	--	--
Total	$5,993	5,978	--	--
Long Term Investments:				
Mortgage-backed securities	--	--	$ 6,039	$ 5,800
U.S. Government	$5,834	$5,781	8,937	8,418
Municipal bonds	269	269	1,659	1,613
Total	$6,103	$6,050	$16,635	$15,831
The Company's investment portfolio matures as follows:				
Less than one year		$5,978		
1-5 years		6,050		
		$12,028		

The Company incurred realized losses on the sale of certain long-term investments of $71,000 and $464,000 in fiscal 1995 and 1994, respectively.

D. DEBT OBLIGATIONS

The Company entered into a revolving credit agreement on November 17, 1994 under which BayBank Boston, N.A. and State Street Bank and Trust Company provided the Company with a $20.0 million facility. Under the credit agreement, the line of credit terminates on May 31, 1997 and bears interest at BayBank Boston, N.A.'s prime rate or LIBOR-based fixed rates. The terms of the credit agreement require the Company to maintain specific net worth, inventory turnover and cash flow ratios. Under the revolving credit agreement, the Company has agreed not to pay dividends on its Common Stock if such payment would cause the Company to be in default of certain financial ratios. The Company did not pay any dividends in fiscal years 1995 and 1994.

During the second quarter of fiscal 1995, the Company signed an amendment to this agreement which provides that $5.0 million of the $20.0 million line of credit can be used

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

as a letter of credit facility for purchases of inventory. At February 3, 1996, $3.0 million of the $5.0 million was available for the issuance of letters of credit.

The Company paid interest of $172,000, $799,000 and $1,550,000 for the fiscal years 1995, 1994 and 1993, respectively. Fiscal year 1994 includes a prepayment penalty and accelerated write off of debt issuance costs of $350,000.

E. INCOME TAXES

The components of the net deferred tax asset as of February 3, 1996 and January 28, 1995 are as follows:

	February 3, 1996	January 28, 1995
	(IN THOUSANDS)	
Deferred tax assets - current:		
Inventory reserves	$1,145	$ 319
Restructuring reserve	--	2,362
Accrued expenses	641	--
Subtotal	1,786	2,681
Deferred tax liabilities - current:		
LIFO reserve	864	1,102
Net deferred tax asset - current	$ 922	$1,579
Deferred tax asset - noncurrent:		
Excess of book over tax depreciation/amortization	$2,560	$1,460
Capital loss carryforward	117	--
Unrealized loss on investment	21	311
Total deferred tax assets - noncurrent	$2,698	$1,771

The provision for income taxes consists of the following:

	Fiscal Years Ending		
	February 3, 1996	January 28, 1995	January 29, 1994
	(IN THOUSANDS)		
Current:			
Federal	$6,241	$ 5,561	$ 7,855
State	1,031	1,783	2,303
	7,272	7,344	10,158
Deferred:			
Federal	(481)	3,382	(5,029)
State	(49)	770	(1,291)
	(530)	4,152	(6,320)
Total provision	$6,742	$11,496	$ 3,838

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

	Fiscal Years Ending		
	February 3, 1996	January 28, 1995	January 29, 1994
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income and other taxes, net of federal tax benefit	5.8	5.5	5.4
Effective tax rate	40.8%	40.5%	40.4%

The Company paid income taxes of $7,452,000, $8,579,000 and $8,388,000 during fiscal years 1995, 1994 and 1993, respectively. These figures represent the net of payments and receipts.

F. COMMITMENTS AND CONTINGENCIES

At February 3, 1996, the Company was obligated under operating leases covering store and office space, automobiles and certain equipment (with both unaffiliated and related parties) for future minimum rentals as follows:

	Unaffiliated	Related Parties	Total
		(IN THOUSANDS)	
1996	$ 28,384	$118	$ 28,502
1997	25,713	--	25,713
1998	23,814	--	23,814
1999	20,320	--	20,320
2000	18,031	--	18,031
Thereafter	56,707	--	56,707
	$172,969	$118	$173,087

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

In addition to 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, excluding the related party lease, were $32,998,000, $27,250,000 and $25,920,000 in fiscal years 1995, 1994 and 1993, respectively. Amounts charged to operations for the related party lease were $764,000, $498,000 and $515,000 in fiscal years 1995, 1994 and 1993, respectively. See Note H for additional information regarding the related party lease. 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[Registered Trademark] Store located in Minneapolis, Minnesota and two Dockers[Registered Trademark] 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 signed a new lease for its corporate headquarters in Needham, Massachusetts. The term of the lease is for ten years beginning in November 1995. The lease provides for the Company to pay all related occupancy costs associated with the land and headquarters building.

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 stock options to purchase up to 562,500 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 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. On March 23, 1989, the Board of Directors authorized an increase in the number of shares issuable under the Incentive Plan to 787,500. At the Special Meeting in Lieu of Annual Meeting held on June 13, 1989, the stockholders approved this increase and the amendment to the Incentive Plan.

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 and period of option. 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 no more than seven 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, up to 1,350,000 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. Options have never been granted at any 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. 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.

On April 26, 1994, the Board of Directors authorized an increase in the number of shares issuable under the 1992 Plan to 1,850,000. The stockholders approved this increase and an amendment to the 1992 Plan at the Annual Meeting held on June 14, 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

1987 INCENTIVE STOCK OPTION PLAN

	Fiscal Year 1995	Fiscal Year 1994	Fiscal Year 1993
Outstanding at beginning of year	160,561	241,365	302,498
Options granted	--	--	--
Options canceled	1,670	14,720	2,986
Options exercised	62,552	66,084	58,147
Outstanding at end of year	96,339	160,561	241,365
Options exercisable at end of year	89,139	129,273	167,311
Common shares reserved for future grants at end of year	21,605	19,935	5,215
Option prices per common share:			
Granted during the year	--	--	--
Canceled during the year	$ 2.22 to $ 2.67	$ 2.00 to $ 11.17	$ 2.00 to $ 2.67
Exercised during the year	$ 1.62 to $ 2.67	$ 1.62 to $ 11.17	$ 1.62 to $ 11.17
Outstanding at end of year	$ 1.62 to $ 11.17	$ 1.62 to $ 11.17	$ 1.62 to $ 11.17

1987 NON-QUALIFIED STOCK OPTION PLAN

	Fiscal Year 1995	Fiscal Year 1994	Fiscal Year 1993
Outstanding at beginning of year	76,948	99,448	198,583
Options granted	--	--	--
Options canceled	--	--	63,690
Options exercised	--	22,500	35,445
Outstanding at end of year	76,948	76,948	99,448
Options exercisable at end of year	76,948	66,148	77,848
Common shares reserved for future grants at end of year	--	--	--
Option prices per common share:			
Granted during the year	--	--	--
Canceled during the year	--	--	$ 11.17
Exercised during the year	--	$ 2.34	$ 2.78 to $ 11.17
Outstanding at end of year	$ 2.34 to $ 2.67	$ 2.34 to $ 2.67	$ 2.34 to $ 2.67

1992 STOCK INCENTIVE PLAN

	FISCAL YEAR 1995	1994	1993
Outstanding at beginning of year	1,298,950	1,091,150	710,715
Options granted	440,500	406,000	410,000
Options canceled	219,400	191,600	20,765
Options exercised	--	6,600	8,000
Outstanding at end of year	1,520,050	1,298,950	1,091,150
Options exercisable at end of year	698,180	445,966	188,880
Common shares reserved for future grants at end of year	314,550	535,650	250,050
Option prices per common share:			
Granted during the year	$ 7.38 to $ 10.50	$ 9.00 to $ 17.50	$ 17.50 to $ 21.50
Canceled during the year	$ 8.00 to $ 18.00	$ 9.00 to $ 18.34	$ 11.17
Exercised during the year	--	$ 11.17	$ 11.17
Outstanding at end of year	$ 7.38 to $ 21.50	$ 9.00 to $ 21.50	$ 11.17 to $ 21.50

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 as of the end of fiscal 1995. 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 $239,000, $511,000, and $1,200,000 in fiscal years 1995, 1994 and 1993, respectively.

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation (FAS 123) was issued and requires the Company to elect either expense recognition under FAS 123 or its disclosure-only alternative for stock-based employee compensation. The expense recognition provision encouraged by FAS 123 would require fair-value based financial accounting to recognize compensation expense for employee stock compensation plans. FAS 123 must be adopted in the Company's fiscal 1996 financial statements with comparable disclosures for prior years. The Company has elected the disclosure-only alternative and accordingly, the Company will be required to disclose the pro forma net income or loss and per share amounts in the notes to the financial statements using the fair value based method beginning in fiscal 1996 with comparable disclosures for fiscal 1995. The Company has not yet determined the impact of these pro forma adjustments.

H. RELATED PARTIES

The Company leases 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 the estate of Calvin Margolis, a former 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. Total rent paid to Durban Trust in fiscal 1995, 1994 and 1993 was approximately $764,000, $491,000 and $515,000, respectively. The Company believes that the lease arrangements between the Company and Durban Trust are 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. The lease expires in fiscal 1996. See Note F.

Bernard M. Manuel, a Director of the Company, is the Chairman of the Board of Cygne Designs, Inc. During fiscal year 1995 and 1994, Cygne Designs, Inc. provided sourcing for the Company's private label products in its Designs stores. The Company paid approximately $311,000 and $121,000 for merchandise purchased from Fenn Wright & Manson, Inc. a division of Cygne Designs, Inc., for fiscal years 1995 and 1994, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

James G. Groninger, a Director of the Company, is President of The BaySouth Company. Prior to that he was a Managing Director of PaineWebber Incorporated. During fiscal 1995, the Company paid The BaySouth Company $29,000 in fees and expenses in connection with the development of the Company's Shareholders' Rights Plan. During fiscal year 1994, the Company paid nominal fees to PaineWebber related to the Company's stock repurchase program which is discussed further in Note A. The Company believes that the investment banking services provided by The BaySouth Company and PaineWebber Incorporated were provided on terms at least as favorable to the Company as it would have expected to receive from an investment bank unrelated to the Company or Mr. Groninger.

I. EMPLOYEE BENEFIT PLANS

On April 3, 1992, the Board of Directors of the Company voted to terminate the Company's non-contributory defined benefit pension plan which covered all employees. The termination was effective September 1, 1992, and all participants in the plan became fully vested at that time. Total plan assets of approximately $1.6 million were distributed to participants in fiscal 1994. The Company recognized pension expense of $750,000 in fiscal year 1993 related to the plan termination.

In fiscal 1992, the Company replaced the terminated plan described above with a defined contribution 401(k) plan which covers all employees who have completed one year of service. Under this plan, the Company may provide matching contributions up to a stipul ated percentage of employee contributions. The plan is fully funded by the Company and the matching contribution, if any, is established each year by the Board of Directors. For fiscal 1995, 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 $229,000, $205,000 and $118,000 of expense under this plan in fiscal 1995, 1994 and 1993, respectively.

J. RESTRUCTURING

In fiscal 1993, the Company recorded a non-recurring pre-tax charge of $15.0 million to cover the costs associated with the closing of 15 of its poorest performing Designs stores. The earnings and cash flow benefit derived from the restructuring totaled $2.7 million and $2.0 million for fiscal 1995 and $1.6 million and $1.4 million for fiscal year 1994, respectively. The costs to close these 15 stores totaled $9.6 million, comprised of $6.1 million cash and $3.5 million of noncash costs. Total costs of $9.6 million to close the 15 stores were less than the original pre-tax $15.0 million estimate, primarily due to favorable negotiations with landlords. The remaining reserve was recognized in fiscal 1995 and fiscal 1994 as non-recurring pre-tax income in the amounts of $2.2 million and $3.2 million, respectively.

K. FORMATION OF JOINT VENTURE

Levi's Only Stores, Inc., a wholly-owned subsidiary of Levi Strauss & Co., entered into a partnership agreement (the "Partnership Agreement") to sell Levi's[Registered Trademark] brand products and jeans-related products. The joint venture that was established by the Partnership Agreement is known as The Designs/OLS Partnership (the "Partnership"). The Company previously announced that the Partnership plans to open and operate thirty-five to fifty Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlets throughout eleven Northeast states and the District of Columbia through the end of fiscal 1999. This includes the eleven Original Levi's[Registered Trademark] Stores and four Levi's[Registered Trademark] Outlets open at the end of fiscal 1995. The Levi's[Registered Trademark] Outlet stores in the Partnership sell only Levi's[Registered Trademark] brand products and close-out products of the Original Levi's[Registered Trademark] Stores.

In connection with the formation of the joint venture, Designs JV Corp. contributed, for a 70% interest in the joint venture, eight of the Company's then existing Original Levi's[Registered Trademark] Stores and three leases for then unopened stores in New York City, Nanuet, New York, and White Plains, New York. These stores are included in the 35 to 50 stores described above. At the same time, LDJV Inc., the joint venture subsidiary of Levi's Only Stores, Inc., contributed approximately $4.7 million in cash to the joint venture in exchange for a 30% interest.

During October 1995, the Designs JV Corp. and LDJV Inc. agreed to provide an additional capital contribution of cash totaling $5.2 million to the Partnership to fund the Partnership's capital expenditures needs. Designs JV Corp. and LDJV Inc. contributed $3,640,000 and $1,560,000, respectively. In accordance with the Partnership Agreement, the Partnership distributed $670,000 and $287,000 to Designs JV Corp. and LDJV Inc., respectively. These distributions represented funds sufficient for each of the partners to pay taxes associated with the earnings of the Partnership for the fiscal year ended February 3, 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The term of the Partnership is ten years, however, the partnership agreement contains certain exit rights that enable either partner to buy or sell their interest in the Partnership after five years. The partnership agreement provides for certain special capital account allocations and cash distributions, but otherwise allocates and distributes income in proportion to the partners' percentage ownership.

For financial reporting purposes, the Partnership's assets, liabilities and results of operations are consolidated with those of the Company and LDJV Inc.'s 30% interest in the Partnership is included in the Company's financial statements as minority interest.

L. BOSTON TRADING LTD., INC. ACQUISITION

On May 2, 1995, the Company acquired 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, Designs Acquisition Corp., the Company and others (the "Purchase Agreement"). The Company paid $5,428,000 million in cash, financed by operations, and delivered a non-negotiable promissory note in the principal amount of $1,000,000. The principal amount of the promissory 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. The purchase price has been allocated to the assets acquired, including certain intangible assets, principally trademarks and licensing agreements, based on their respective fair values. Trademarks and licensing agreements are being amortized on a straight-line basis over 15 years and 4 years, respectively. Other assets acquired included all inventory and fixed assets associated with 33 Boston Traders[Registered Trademark] outlet stores.

The following pro forma summary presents the consolidated results of operation of the Company as if the acquisition had occurred as of the beginning of the periods presented, after giving effect to certain adjustments, including amortization of intangibles, decreased interest income related to cash used to finance the acquisition and related income tax effects. Pro forma results of operations for the twelve months ended February 3, 1996 and January 28, 1995 include Boston Trading results of operations for the period January 29, 1995 through May 1, 1995 and January 30, 1994 through January 28, 1995, respectively. Pro forma results of operations for the twelve month period ended February 3, 1996 and January 28, 1995 assume that the acquisition occurred at January 29, 1995 and January 30, 1994, respectively.

	1995	1994
Revenue	$302,862	$279,512
Net income	9,086	14,723
Net income per share	$ 0.58	$ 0.92

M. 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. 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 $0.01 par value Common Stock ("Common Stock") to stockholders of record as of the close of business on May 15, 1995. Initially, these Rights will not be 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

N. SELECTED QUARTERLY DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
FISCAL YEAR 1995					
Net Sales	$57,337	$66,993	$89,217	$87,527	$301,074
Gross Profit	16,197	19,877	29,314	23,697	89,085
Non-recurring income on restructuring	2,200	--	--	--	2,200
Net income	1,597	1,193	5,034	1,949	9,773
Net income per common and common equivalent share	0.10	0.08	0.32	0.12	0.62
FISCAL YEAR 1994					
Net Sales	$48,960	$56,390	$80,755	$79,805	$265,910
Gross Profit	13,209	17,394	27,016	26,507	84,126
Non-recurring income on restructuring	--	--	--	3,200	3,200
Net income	100	1,623	6,661	8,519	16,903
Net income per common and common equivalent share	0.01	0.10	0.42	0.54	1.06

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 "Back to School" and "Holiday" seasons. 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.

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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.

Coopers & Lybrand L.L.P., independent accountants, have been engaged to examine the financial statements of the Company. The Report of Independent 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	/s/ William D. Richins
Joel H. Reichman	William D. Richins
President and Chief Executive Officer	Chief Financial Officer

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Designs, Inc. as of February 3, 1996 and January 28, 1995, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended February 3, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Designs, Inc. as of February 3, 1996 and January 28, 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 3, 1996, in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.

Boston, Massachusetts
March 11, 1996

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CORPORATE AND 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,
Cygne Designs, Inc.

Joel H. Reichman
President and
Chief Executive Officer

Melvin I. Shapiro
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,
Secretary and General Counsel

Mark S. Lisnow
Senior Vice President,
Merchandising

William D. Richins
Chief Financial Officer

CORPORATE OFFICERS

George F. Cavedon
Regional Vice President,
Northeast Region

Mary Ann Chenell
Vice President,
Human Resources

James F. Duval
Regional Vice President,
South Region

Jan Falcione
Regional Manager,
Midwest Region

Carolyn R. Faulkner
Vice President,
Controller

Martin Goldstein
Vice President,
Construction and Design

Alan B. Gruber
Vice President,
Ethics and Corporate Compliance

Marc G. Levy
Vice President,
Levi's[Registered Trademark] Merchandising

Vincent Jay Maffucci
Treasurer

Maria T. McLeod
Vice President,
Technology and
Information Systems

Daniel O. Paulus
General Manager,
The Designs/OLS Partnership

Brian J. Sequin
Regional Vice President,
Midatlantic Region

Susan Shepherd
Regional Manager,
The Designs/OLS Partnership

Michael E. Strubing
Vice President,
Logistics

J. Neal Vantosky
Vice President,
Product Development

Roderick M. Wills
Vice President,
Allocation

CORPORATE OFFICES

66 B Street
Needham, MA 02194
(617) 444-7222

CORPORATE AND SHAREHOLDER INFORMATION - CONTINUED

SHAREHOLDER INFORMATION

STOCK LISTING

The company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol "DESI."

COMMON STOCK PRICES

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

FISCAL YEAR ENDING FEBRUARY 3, 1996	HIGH	LOW
First Quarter	10 5/8	7 1/4
Second Quarter	11 1/4	8
Third Quarter	10	6 3/4
Fourth Quarter	8 7/8	5 5/8

FISCAL YEAR ENDING JANUARY 28, 1995	HIGH	LOW
First Quarter	17 1/2	12 3/4
Second Quarter	15 1/4	8 1/2
Third Quarter	10	6 5/8
Fourth Quarter	9 3/4	6 3/4

As of March 31, 1996, based upon data provided by independent shareholder communication services and the transfer agent for the common stock, there were approximately 500 holders of record of common stock and 13,500 beneficial holders of common stock.

DIVIDEND POLICY

The company currently pays no cash dividends on its common stock. See Note D of Notes to Consolidated Financial Statements.

ANNUAL MEETING

The 1996 Annual Meeting of Stockholders of Designs, Inc. will be held on Tuesday, June 11, 1996 at 8:00 a.m. at the Sheraton Needham Hotel, 100 Cabot Street, Needham, Massachusetts.

FINANCIAL INFORMATION

Requests for financial information should be directed to the Investor Relations Department at the company's headquarters: Designs, Inc., 66 B Street, Needham, MA 02194 (617) 444-7222. A copy of the company's Annual Report on Form 10-K for the fiscal year ended February 3, 1996, filed with the Securities and Exchange Commission, may be obtained without charge upon request to the Investor Relations Department.

DESIGNS, INC. SHAREHOLDER INFORMATION LINE

Beginning in May 1996, Designs, Inc. is introducing an information service for news announcements, including sales and earnings releases. The service also may be used for printed material requests via mail or fax. To access the service, call 1-888-DESI-333.

This service is intended to help keep shareholders informed of key events and announcements at Designs, Inc. It will not affect the Company's practice of mailing annual reports and proxy statements. Since it will provide timely new information throughout the year, Designs, Inc. will discontinue the printing and distribution of its quarterly report to shareholders to improve efficiency and reduce expense.

TRANSFER AGENT AND REGISTRAR

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

Boston EquiServe Limited Partnership
c/o The First National Bank of Boston
Shareholder Services Department
Investor Relations Unit 45-02-09
P.O. Box 644
Boston, MA 02102-0644
(617) 575-2900

INDEPENDENT ACCOUNTANTS

Coopers & Lybrand
Boston, Massachusetts

TRADE NAMES

Boston Traders[Registered Trademark] is a registered trademark of Designs, Inc.
Levi's[Registered Trademark] and Dockers[Registered Trademark] are registered trademarks of Levi Strauss & Co.

Timberland[Registered Trademark] is a registered trademark of The Timberland Company.

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

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Designs, Inc. on Forms S-8 (Reg. Nos. 33-22957, 33-32690, 33-32687 and 33-52892) of our report dated March 11, 1996, on our audits of the consolidated financial statements of Designs, Inc. as of February 3, 1996 and January 28, 1995 and January 29, 1994 for the three years in the period ended February 3, 1996, which report is incorporated by reference in this Annual Report on Form 10-K.

Boston, Massachusetts
May 1, 1996

COOPERS & LYBRAND, L.L.P.

Exhibit 99

Designs, Inc. (the "Company") is filing this Report with the Securities and Exchange Commission in order to set forth in a readily available document certain significant risks and uncertainties that are important considerations to be taken into account in conjunction with consideration and review of the Company's reports, registration statements, information statements, press releases, and other publicly-disseminated documents (including oral statements concerning Company business information made by others on behalf of the Company) that include forward-looking information.

The nature of forward-looking information is that such information involves assumptions, risks and uncertainties. Certain public documents of the Company and oral statements made by authorized officers, directors, employees, agents and representatives of the Company, acting on its behalf, may include forward-looking information which will be influenced by the following and other assumptions, risks and uncertainties. Forward-looking information requires management of the Company to make assumptions, estimates, forecasts and projections regarding the Company's future results as well as the future effectiveness of the Company's strategic plans and future operational decisions. Forward-looking statements made by or on behalf of the Company are subject to the risk that the forecasts, projections, and expectations of management, or assumptions underlying such forecasts, projections and expectations, may become inaccurate. Accordingly, actual results and the Company's implementation of its plans and operations may differ materially from forward-looking statements made by or on behalf of the Company. The following discussion identifies certain important factors that could affect the Company's actual results and actions and could cause such results and actions to differ materially from any forward-looking statements made by or on behalf of the Company that related to such results and actions. Other factors, which are not identified herein, could also have such an effect.

GENERAL ECONOMIC RISK FACTORS

Forward-looking statements of the Company are subject to the risk that assumptions made by management of the Company concerning future general economic conditions such as recession, inflation, interest rates, tax rates, consumer spending and credit and other future conditions having an impact on retail markets and the Company's business may prove to be incorrect. Adverse changes in such future economic conditions could have an adverse affect on the Company's business.

CONSUMER PREFERENCES

The casual apparel industry is intensely competitive and subject to rapid changes in consumer preferences and fashion trends. A significant marketing or promotional success by one or more of the Company's existing or yet to be established competitors could adversely affect the Company's competitive position. In addition, in the United States, where the casual apparel market is mature, sales growth may depend in part on whether the Company can increase its market share at the expense of its competitors.

COMPETITION

Competition in markets for the Company's products occurs in a variety of ways, including, among other factors, price, quality, reputation, brand image and recognition, ability to anticipate fashion trends and customer preferences, store design and location, inventory control, quality control of the Company's products, advertising and customer service. Factors that will affect the Company's competitive position in the future include uncertainties associated with product procurement from foreign sources, dependence upon foreign manufacturing operations, the Company's ability to offer consumers a broad selection of merchandise, and the Company's ability to manage operational changes required to transition the Company from a single vendor retailer to a vertically integrated retailer.

The intensity of the competition faced by the Company and the rapid changes in consumer preferences that can occur in the casual apparel markets pose significant risks to the Company. Many of the Company's competitors are national and regional department, specialty and discount chain stores that offer similar products. Many of the Company's principal competitors have greater market share and financial resources than the Company and there are no assurances that the Company will be able to compete successfully with these competitors in the future.

On January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company, and a subsidiary of Levi's Only Stores, Inc., a wholly-owned subsidiary of Levi Strauss & Co., entered into a partnership agreement (the "Partnership Agreement") to sell Levi's[Registered Trademark] brand products and jeans-related products. The joint venture established by the Partnership Agreement is known as The Designs/OLS Partnership (the "OLS Partnership"). The Company previously announced that the OLS Partnership may open up to a total of thirty-five to fifty Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlet stores throughout eleven northeast states and the District of Columbia (the "Territory") through January 2000.

Levi Strauss & Co., through its wholly-owned subsidiary, Levi's Only Stores, Inc., has opened retail stores, including Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlet stores, in the United States and elsewhere. Levi's Only Stores, Inc. appears to be prepared to open additional retail stores throughout the United States. The Company understands that such store formats, including Original Levi's[Registered Trademark] Stores, Levi's[Registered Trademark] Outlet stores, Dockers[Registered Trademark] Shop stores, Dockers[Registered Trademark] Outlet stores, and Personal Pair[Trademark] stores, may feature one or more Levi Strauss & Co. brands of merchandise. While the OLS Partnership remains in existence, Original Levi's[Registered Trademark]

Stores and Levi's[Registered Trademark] Outlet stores opened in the Territory may only be opened by the OLS Partnership. Levi Strauss & Co. and its affiliates currently operate and are permitted to open retail stores based on other store formats that will compete with the Company's stores. As described elsewhere in this Report, the Company stocks its Levi's[Registered Trademark] Outlet by Designs stores and the OLS Partnership's Levi's[Registered Trademark] Outlet stores exclusively with manufacturing overruns, discontinued lines and irregulars purchased by the Company directly from Levi Strauss & Co. and end-of-season Levi Strauss & Co. brand merchandise transferred from the Company's Designs stores and the OLS Partnership's Original Levi's[Registered Trademark] Stores. By its nature, this merchandise is subject to limited availability and is allocated among all authorized operators of Levi's[Registered Trademark] Outlet stores by Levi Strauss & Co. in its sole discretion.

SEASONALITY AND INVENTORY RISK

Historically, the Company has experienced seasonal fluctuations in revenues and income, with a larger portion of each generated in the second half of the Company's fiscal year as a result of the Back to School and Holiday seasons. The seasonal nature of the Company's business requires the Company to increase its inventory levels prior to the latter half of its fiscal year in preparation for such selling seasons. The casual apparel industry has a significant lead time for design, production and delivery of merchandise and, therefore, the Company must commit to purchase orders and production orders well in advance of the time when such merchandise would be available for sale to consumers. Merchandise orders normally must be placed well in advance of each selling season when customer preferences and fashion trends are not yet evident from customer purchases. Since the Company must enter into commitments and contracts for the purchase of Levi Strauss & Co. brand merchandise and the manufacture of Boston Traders[Registered Trademark] brand merchandise well in advance of each selling season, the Company is vulnerable to changes in consumer demand and pricing shifts and to errors in selection and timing of such merchandise purchases. If the Company fails to accurately forecast consumer demand or if there are changes in consumer preferences or market demand after the Company has committed to such purchase and production orders, the Company may encounter difficulty in liquidating its inventory. These variables may have an adverse effect on the Company and the image of the brands offered for sale by the Company as well as its sales, gross margins and earning results.

DEPENDENCE ON LEVI STRAUSS & CO. MERCHANDISE

Almost all of the Company's revenue is derived from the operation of its retail stores. Except for the Company's Boston Traders[Registered Trademark] outlet stores, all or substantially all of the merchandise sold to consumers through these stores is merchandise manufactured by Levi Strauss & Co. and its licensees. The Company does not now have, and never has had, any agreement with Levi Strauss & Co. guaranteeing minimum quantities of merchandise to be supplied to the Company, establishing a price structure for the Company's purchases of Levi Strauss & Co. merchandise, or compelling the Company to purchase minimum quantities or specific styles or colors of merchandise. The Company has no assurance that it will be able to continue to purchase merchandise from Levi Strauss & Co. in adequate quantities or on terms that are comparable to those available to other retailers. The Company would be materially and adversely affected by any material reductions in the availability of Levi Strauss & Co. merchandise, any adverse change in Levi Strauss & Co. business, marketing strategy or product mix, or any significant increase in the prices the Company must pay for Levi Strauss & Co. merchandise. The Company also may be materially and adversely affected in the event of negative publicity concerning the reputation of Levi Strauss & Co. or the reputation of its merchandise.

RISK OF RESTRICTION ON USE OF LEVI STRAUSS & CO. TRADEMARKS, SERVICE MARKS, TRADE DRESS AND TRADE NAMES

The Company and the OLS Partnership use certain trademarks, service marks, trade names and brand names of Levi Strauss & Co. in their store names, displays and advertising with the permission of Levi Strauss & Co. The Company has an agreement with Levi Strauss & Co. to use certain Levi Strauss & Co. trademarks on the Company's store signs. The OLS Partnership entered into a license agreement that grants the OLS Partnership the right to use certain service marks, trade names and trade dress owned by Levi Strauss & Co. The Company and the OLS Partnership make no payments to Levi Strauss & Co. or its affiliates with respect to the use of such trademarks, service marks and trade names. The Company, including the OLS Partnership, could be materially and adversely affected by significant limitations imposed on the use of Levi Strauss & Co. trademarks, service marks, trade names, trade dress or brand names.

RISK OF INFRINGEMENT OF THE COMPANY'S TRADEMARKS

The Company is the owner in the United States of the registered trademark "Boston Traders" and certain other trademarks, service marks and trade names. Certain of these marks are also registered, or are the subject of pending applications, in the trademark registries of foreign countries. The Company considers its rights in the Boston Traders[Registered Trademark] trademark and its other marks in the United States and in foreign countries to be valuable assets of the Company which may have a significant influence on the Company's ability to expand. Any infringement upon the Company's Boston Traders[Registered Trademark] trademark or its other trademarks, service marks and trade names or any piracy of the Company's other intellectual property or its products would have a negative impact upon the Company's ability to promote, market and enhance its branded merchandise.

RISK RELATED TO TRANSITION TO A VERTICALLY INTEGRATED RETAILER

For almost 20 years, the Company purchased merchandise exclusively from Levi Strauss & Co. and its licensees. In November

1994, and more significantly in May 1995, the Company undertook a transition from being a single vendor retailer to being a multi-brand vertically integrated retailer offering, in addition to the Levi's[Registered Trademark], Dockers[Registered Trademark] and Timberland[Registered Trademark] brands, its own Boston Traders[Registered Trademark] brand of merchandise. As part of this transition, the Company has made significant additions to its management and staff in order to establish product development, product sourcing and logistics capabilities. This transition will require the Company to successfully manage new vertically integrated operations that develop, design, source and distribute Boston Traders[Registered Trademark] brand products. There are no assurances that the Company will be able to successfully transition its operations from a single vendor to a vertically integrated retailer. There also are no assurances that the Company will be able to successfully update, enhance and distinguish the Boston Traders[Registered Trademark] brand or develop merchandise that will complement the Levi Strauss & Co. brands sold by the Company.

STORE EXPANSION RISKS

Levi Strauss & Co. informed the Company that it did not see an opportunity for the Company to increase the number of its Levi's[Registered Trademark] Outlet by Designs stores, nor the number of its Designs stores in the exclusively Levi Strauss & Co. brands format. Accordingly, the Company's ability to continue to increase the number of stores it operates depends, in part, on the Company's ability to successfully develop, open and operate stores that feature Boston Traders[Registered Trademark] brand merchandise and, in part, upon the OLS Partnership's ability to successfully continue to identify, secure, open and operate new Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlet stores within the Territory. Store expansion also depends upon on a number of other general factors including the Company's ability to identify and secure suitable store locations, the negotiation of acceptable lease terms, merchandise availability and the Company's future financial resources. The Company anticipates that new store locations and existing store relocations will continue to be subject to new branch opening approval policies and practices of Levi Strauss & Co. The Company expects to continue to work closely with Levi Strauss & Co. in evaluating product availability for existing and new store locations and must obtain the approval of Levi Strauss & Co. before opening new stores. There are no assurances that the Company will continue to be successful in either obtaining suitable store locations for its new or relocated stores nor in negotiating acceptable lease terms for such locations. Also, there are no assurances that new stores will achieve profitability or that existing profitable stores will remain so. There are no assurances that the Company will be able to develop a new store format featuring the Boston Traders[Registered Trademark] brand, or that, if developed, any new store based upon such store format will be successful.

The OLS Partnership has a ten year term. However, the Partnership Agreement contains certain exit rights that enable either partner to buy or sell their interest in the OLS Partnership, including the right to buy or sell particular stores operated by the OLS Partnership. The

Company would be materially and adversely affected if, following January 2000, Levi Strauss & Co. or its affiliates were to purchase the profitable Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlet stores owned and operated by the OLS Partnership and either cause to remain in the OLS Partnership or to seek to require an affiliate of the Company to purchase any unprofitable Original Levi's[Registered Trademark] Stores and Levi's[Registered Trademark] Outlet stores.

INCREASING ADVERTISING COSTS

For almost 20 years the Company has enjoyed the benefit of being closely identified with Levi Strauss & Co. As the Company continues to feature its own and other brands of merchandise, the Company will increasingly rely upon its own advertising and promotional efforts to build and enhance brand image. Historically, the Company has received co-operative advertising allowances from Levi Strauss & Co. that have funded as much as one third of all advertising expenditures. As the Company decreases the proportion of Levi Strauss & Co. brand merchandise, the advertising allowances associated with the Company's advertising will decrease proportionately. Accordingly, the Company's business will require increased investments in marketing and advertising. There are no assurances that such increased investment will be financially possible or, if undertaken, will result in increased sales.

DEPENDENCE ON CONTRACT MANUFACTURING

The Company's Boston Traders[Registered Trademark] products are primarily manufactured outside of the United States and, to a lesser extent, within the United States. To the extent that the Company succeeds in its efforts to expand sales of Boston Traders[Registered Trademark] merchandise, the Company will become increasingly dependent upon unaffiliated foreign and domestic firms for the sourcing of its products. Foreign manufacturing and, to a lesser extent, domestic manufacturing are subject to a number of risks, including work stoppages, transportation delays and interruptions, political instability, foreign currency fluctuations, economic disruptions, expropriation, nationalization, the imposition of tariffs and import and export controls and quotas, changes in governmental policies (including United States policies towards these foreign countries) and other factors which could have an adverse effect on the Company's business. Further, revocation of "most favored nation" status for, or the imposition of trade sanctions against foreign countries in which the Company's manufacturers operate could have an adverse affect on the Company's business. The Company has not entered into long-term contractual arrangements with its foreign or domestic manufacturers. The loss of any one or more of its foreign or domestic manufacturers could have an adverse effect on the Company's business until, if at any time, suitable alternative supply arrangements were secured.

SOURCES OF SUPPLY

The Company depends upon its unaffiliated firms to source high-quality products in a timely and cost-efficient manner and relies upon the availability of sufficient production capacity and the ability to utilize alternative sources of supply. In addition, if these sources were to experience significant shortages in raw materials used in the Company's products, it could have a negative effect on the Company's business, including increased costs or difficulty in delivering product.

LITIGATION RISKS

The Company is subject to the normal risks of litigation with respect to its business operations.

FACTORS AFFECTING THE COMPANY'S BUSINESS ARE SUBJECT TO CHANGE

This Report contains cautionary statements concerning certain factors that may influence the business of the Company and are made as of the date of this Report. Such factors are subject to change. The cautionary statements set forth in this Report are not intended to cover all of the factors that may affect the Company's business in the future. Forward-looking information disseminated publicly by the Company following the date of this Report may be subject to additional factors hereafter published by the Company.

April 30, 1996

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YEAR
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