SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

Quarter Ended November 3, 2001 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 or organization)	(IRS Employer Identification No.)
66 B Street, Needham, MA	02494
(Address of principal executive offices)	(Zip Code)

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

Indicate by "X" 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of December 13, 2001
Common	14,503,929

DESIGNS, INC.
CONSOLIDATED BALANCE SHEETS
November 3, 2001 and February 3, 2001
(In thousands, except share data)

ASSETS	November 3, 2001 (unaudited)	February 3, 2001
Current assets:		
Cash and cash equivalents	$ -	$ -
Accounts receivable	1,136	18
Inventories	74,526	57,675
Deferred income taxes	765	765
Prepaid expenses	2,980	3,093
Total current assets	79,407	61,551
Property and equipment, net of accumulated depreciation and amortization	20,888	18,577
Other assets:		
Deferred income taxes	14,300	14,347
Other assets	599	595

Total assets	$ 115,194	$ 95,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14,760	$ 6,280
Accrued expenses and other current liabilities	15,300	11,392
Accrued rent	2,873	2,376
Reserve for severance and store closings	204	852
Notes payable	32,174	24,345
Total current liabilities	65,311	45,245
Stockholders' equity:		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, none issued	-	-
Common Stock, $0.01 par value, 50,000,000 shares authorized, 17,532,000 and 17,488,000 shares issued at November 3, 2001 and February 3, 2001, respectively	175	175
Additional paid-in capital	55,905	55,697
Retained earnings	2,460	2,577
Treasury stock at cost, 3,040,000 and 3,035,000 shares at November 3, 2001 and February 3, 2001, respectively	(8,460)	(8,427)
Loan to executive	(197)	(197)
Total stockholders' equity	49,883	49,825
Total liabilities and stockholders' equity	$ 115,194	$ 95,070

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

DESIGNS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	November 3, 2001	October 28, 2000	November 3, 2001	October 28, 2000
Sales	$ 54,301	$ 56,587	$ 141,394	$ 141,659
Cost of goods sold including occupancy	41,657	39,202	106,330	100,200
Gross profit	12,644	17,385	35,064	41,459
Expenses:				
Selling, general and administrative	10,202	10,663	29,979	30,213
Depreciation and amortization	1,134	1,364	3,947	3,958
Total expenses	11,336	12,027	33,926	34,171
Operating profit	1,308	5,358	1,138	7,288
Interest expense, net	440	472	1,517	1,317
Income(loss) before income taxes	868	4,886	(379)	5,971
Provision(benefit) for income taxes	330	1,995	(262)	2,469
Net income(loss)	$ 538	$ 2,891	$ (117)	$ 3,502
Income (loss) per share- Basic	$ 0.04	$ 0.18	$ (0.01)	$ 0.22
Income (loss) per share- Diluted	$ 0.04	$ 0.18	$ (0.01)	$ 0.21
Weighted average number of common shares outstanding				
- Basic	14,492	15,935	14,476	16,255
- Diluted	15,065	16,362	14,476	16,454

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

DESIGNS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	November 3, 2001	October 28, 2000
Cash flows from operating activities:		
Net (loss) income	$ (117)	$ 3,502
Adjustments to reconcile net (loss) income to net cash (used for) provided by operating activities:		
Depreciation and amortization	3,947	3,958
Issuance of common stock and options	189	156
Loss on sale or disposal of fixed assets	17	35
Changes in operating assets and liabilities:		
Accounts receivable	(1,118)	37
Inventories	(16,851)	(7,025)
Prepaid expenses	113	(75)
Other assets	(75)	83
Reserve for severance and store closings	(648)	(1,977)
Income taxes	(1,866)	2,077
Accounts payable	8,480	1,288
Accrued expenses and other current liabilities	2,159	3,134
Accrued rent	497	(9)
Net cash (used for) provided by operating activities	(5,273)	5,184
Cash flows from investing activities:		
Additions to property and equipment	(2,563)	(2,255)
Proceeds from terminated trust	-	2,365
Proceeds from disposal of property and equipment	21	44
Net cash (used for) provided by investing activities	(2,542)	154
Cash flows from financing activities:		
Net borrowings (repayments) under credit facility	7,829	(3,465)
Repurchase of common stock	(33)	(1,874)
Issuance of common stock under option program	19	(196)
Net cash provided by (used for)financing activities	7,815	(5,535)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents:		
Beginning of the year	-	-
End of the period	$ -	$ -

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

DESIGNS, INC.
Notes to Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended February 3, 2001 (included in the Company's Annual Report on Form 10-K, as amended, filed with the Securities and Exchange Commission). The information set forth in these statements may be subject to normal year-end adjustments. The information reflects all adjustments that, in the opinion of management, are

necessary to present fairly the Company's results of operations, financial position and cash flows for the periods indicated. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's business historically has been seasonal in nature and the results of the interim periods presented are not necessarily indicative of the results to be expected for the full year.

2. Change in Accounting for Inventories

In the first quarter of fiscal 2002, the Company changed its method of determining the cost of inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. Management believes that the FIFO method better measures the current value of such inventories and provides a more appropriate matching of revenues and expenses. In the current low-inflationary environment, management believes that the use of the FIFO method more accurately reflects the Company's financial position.

The effect of this change was immaterial to the financial results of the prior reporting periods of the Company and therefore did not require retroactive restatement of results for those prior periods.

3. Boston Trading Ltd., Inc. Litigation

During the first quarter of fiscal 2002, the Company entered into a settlement agreement with Atlantic Harbor, Inc. whereby Atlantic Harbor, Inc. agreed to accept from the Company a cash payment of $450,000 in settlement of all obligations outstanding under the $1 million promissory note delivered by the Company in May 1995 in partial payment for certain assets. In exchange, the Company agreed to transfer and assign all trademarks and license agreements acquired as part of the related asset purchase agreement to a new entity in which the Company would have a 15% equity interest, with Atlantic Harbor, Inc. and its affiliates retaining the remaining equity interest. In addition, the Company would also be entitled to receive up to an additional $150,000 from existing license royalties over the next four years.

At February 3, 2001, the Company recorded a gain on settlement of this dispute in the amount of $550,000, which was included in "Provision for impairment of assets, store closing and severance" on the Consolidated Statements of Operations for the fourth quarter of fiscal 2001.

4. Credit Facility

On December 7, 2000, the Company amended and restated its credit facility with Fleet Retail Finance Inc. (the "Amended Credit Agreement"). The Amended Credit Agreement, among other things, provided for an extension of the credit facility to November 30, 2003, reduced the borrowing costs and tied future interest costs to excess borrowing availability, eliminated all existing financial performance covenants and adopted a minimum availability covenant, increased the amount that can potentially be borrowed by increasing the advance rate formula to 68% from 60% of the Company's eligible inventory, provided the Company the ability to enter into further stock buyback programs and reduced the total commitment from $50 million to $45 million. Under the Amended Credit Agreement, the Company is also able to issue documentary and standby letters of credit up to $10 million. The Company's obligations under the Amended Credit Agreement continue to be secured by a lien on all of its assets. The Company is subject to a prepayment penalty for the first two years of the extended facility. The Amended Credit Agreement continues to include certain covenants and events of default customary for credit facilities of this nature, including change of control provisions and limitations on payment of dividends by the Company.

At November 3, 2001, the Company had borrowings of approximately $32.2 million outstanding under this credit facility and had three outstanding standby letters of credit totaling approximately $2.3 million. Average borrowings outstanding under this facility during the first nine months of fiscal 2002 were approximately $29.3 million. The Company had average unused excess availability under this facility of approximately $8.5 million during the first nine months of fiscal 2002, and unused availability of $6.3 million at November 3, 2001. The Company was in compliance with all debt covenants under the Amended Credit Agreement at November 3, 2001.

5. Earnings Per Share

Statement of Financial Accounting Standards No. 128, "Earnings Per Share," requires the computation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the respective

period. Diluted earnings per share is determined by giving effect to the exercise of stock options using the treasury stock method. The following table provides a reconciliation of the number of shares outstanding for basic and diluted earnings per share.

(In thousands)	For the three months ended 11/3/01	10/28/00	nine months ended 11/3/01	10/28/00
Basic weighted average common shares outstanding	14,492	15,935	14,476	16,255
Stock options, excluding the effect of anti-dilutive options for 600 shares for the nine months ended November 3, 2001	573	427	--	199
Diluted weighted average shares outstanding	15,065	16,362	14,476	16,454

Options to purchase 458,400 shares of the Company's common stock for the three and nine months ended November 3, 2001 and options to purchase 173,600 and 238,350 shares, respectively, of the Company's common stock for the three and nine months ended October 28, 2000,were excluded from the computations of diluted earnings per share, in each case because the exercise price of such options was greater than the average market price per share of Common Stock for the periods reported..

6. Related Party Transactions

On May 25, 2001, the Board of Directors approved the extension of the existing consulting agreement with Jewelcor Management Inc. ("JMI") for an additional one-year term commencing on April 29, 2001 and ending on April 28, 2002. As payment for services rendered under this agreement, the Company issued to JMI 61,856 non-forfeitable and fully vested shares of the Company's common stock. The fair value of those shares on May 25, 2001, the date of issuance, was $240,000 or $3.88 per share. Seymour Holtzman, Chairman of the Board of Directors of the Company, is President and Chief Executive Officer of JMI, and indirectly, with his wife, is the principal beneficial owner of the stock of JMI.

Also on May 25, 2001, the Board of Directors granted to Seymour Holtzman, in connection with his becoming an employee of the Company, an option to purchase an aggregate of 300,000 shares of the Company's common stock at an exercise price of $3.88 per share, equal to the closing price of the common stock on that date. The option will vest at a rate of 100,000 shares annually over three years and expires 10 years from the date of grant.

7. Taxes

IRS SETTLEMENT

During the first quarter of fiscal year 1999, the Internal Revenue Service ("IRS") completed an examination of the Company's federal income tax returns for fiscal years 1992 through 1996. Taxes on the adjustments proposed by the IRS, excluding interest, amounted to approximately $4.9 million. The IRS challenged the fiscal tax years in which various income and expense deductions were recognized, resulting in potential timing differences of previously paid federal income taxes. The Company appealed these proposed adjustments through the IRS appeals process.

On August 25, 2001, the Company and the IRS reached a final settlement on the audit of the Company's federal income tax returns for fiscal years 1992 through 1996. In accordance with this settlement, the Company paid to the IRS a total of $1.5 million, including interest. The settlement of $1.5 million had no material impact on the Company's results of operations for the three and nine months ended November 3, 2001 due to adequate provisions previously established by the Company.

Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Sales

Sales for the third quarter of fiscal 2002, which ended November 3, 2001, were $54.3 million as compared to sales of $56.6 million in the third quarter of fiscal 2001, ended October 28, 2000. Sales for the first nine months of fiscal 2002, ended November 3, 2001, were $141.4 million as compared with $141.7 million for the first nine months of fiscal 2001, ended October 28, 2000.

Sales for the thirteen weeks ended November 3, 2001 decreased 0.7% as compared to $54.7 million for the corresponding thirteen weeks in the prior year which ended November 4, 2000. The Company's sales were significantly impacted during the third quarter by the tragic events of September 11, 2001 and by the general economic trends affecting the retail industry as a whole. During the third quarter prior to September 11, 2001, the Company's comparable store sales percentage was trending at a 5.5% increase over the prior year but comparable store sales for the full third quarter ended at a decrease of 4.4 percent. The Company's tourist store locations, which are primarily located in the Florida market, were more affected than the balance of the chain by these events.

Sales for the first nine months of fiscal year 2002 decreased 0.9% as compared to $142.7 million for the corresponding thirty-nine weeks in the prior year which ended November 4, 2000. For the nine months ended November 3, 2001, comparable store sales decreased 6.1% from the prior year.

Comparable stores are retail locations that have been open at least 13 months. Of the 105 stores that the Company operated at November 3, 2001, 97 were comparable stores.

Gross Profit Margin

Gross profit margin, inclusive of occupancy costs, was 23.3% for the third quarter of fiscal 2002 as compared to 30.7% in the third quarter of the prior year. Merchandise margins for the third quarter of fiscal 2002 decreased 5.8 percentage points as compared to the third quarter of the prior year. In response to the general weakness in the retail market, the Company took on an aggressive promotional posture during the third quarter which negatively impacted merchandise margins.

The Company anticipates that it will experience a similar merchandise margin rate during the remainder of fiscal 2002.

For the nine months ended November 3, 2001, gross profit margin, inclusive of occupancy costs, was 24.8% as compared to 29.3% in the corresponding nine months of the prior year. Merchandise margins decreased 3.6 percentage points for the nine month period ended November 3, 2001 as compared to the first nine months of the prior year.

Overall, the decrease, year to date, in merchandise margins in fiscal 2002 as compared to the prior year continues to be principally due to the following factors:

1. decreasing initial margins resulting from an increase in lower merchandise margin product mix;
2. higher promotional markdowns as compared to the prior year; and
3. the fact that prior year margins benefited from significant price reductions funded from reserves previously established.

The Company's significant improvement in reducing inventory losses has partially offset these other factors. For the nine months ended November 3, 2001, the Company's shrinkage control programs have resulted in over a 30% improvement in its shrink rate.

Selling, General and Administrative Expenses

Set forth below is certain information concerning the Company's selling, general and administrative expenses for the three and nine months ended November 3, 2001 and October 28, 2000, respectively.

(In thousands, except percentage data)	November 3, 2001		October 28, 2000	
	$	% of sales	$	% of sales
For the three months ended:				
Store payroll	$ 5,227	9.6%	$ 5,381	9.5%
Other SG&A	$ 4,975	9.2%	$ 5,282	9.3%
For the nine months ended:				
Store payroll	$15,682	11.1%	$15,354	10.8%
Other SG&A	$14,297	10.1%	$14,859	10.5%

Store payroll expense includes the cost of warehouse labor. Since the warehouse

distribution center did not open until the beginning of the third quarter of fiscal 2001, warehouse labor for the nine months ended November 3, 2001 was greater by 0.2 percent of sales as compared to the prior year.

The decrease in other selling, general and administrative expenses, excluding store payroll, for the three and nine months ended November 3, 2001 as compared with the three and nine months of the prior year is the result of the Company's continued focus on cost reduction efforts.

Depreciation and Amortization

Set forth below are depreciation and amortization expenses for the Company for the three and nine months ended November 3, 2001 and October 28, 2000, respectively.

(In thousands, except percentage data)	November 3, 2001	October 28, 2000	Percentage Change at November 3, 2001
For the three months ended	$1,134	$1,364	(16.9)%
For the nine months ended	$3,947	$3,958	(0.3)%

The decrease in depreciation and amortization expense for the three and nine months ended November 3, 2001 compared to the same periods in the prior year is due to several assets becoming fully depreciated and an increase in the average life of new assets when compared to maturing assets. This decrease was partially offset by added depreciation related to the opening of new stores and the remodeling of existing stores in fiscal 2002 and 2001, in addition to the opening of the Company's new distribution center in the third quarter of fiscal 2001.

Interest Expense, Net

Net interest expense was $440,000 and $472,000 for the three months ended November 3, 2001 and October 28, 2000, respectively. Net interest expense was $1.5 million and $1.3 million for the nine months ended November 3, 2001 and October 28, 2000, respectively. These increases were attributable to higher average borrowing levels under the Company's revolving credit facility for the three and nine months ended November 3, 2001 as compared to the same periods in the prior year. These increases were offset slightly by improved borrowing rates as compared to the prior periods.

Net Income (Loss)

Set forth below are the net income(loss) and income(loss) per share, presented on a diluted basis, for the Company for the three and nine months ended November 3, 2001 and October 28, 2000, respectively.

(In thousands, except per share data)	November 3, 2001 $	November 3, 2001 per share	October 28, 2000 $	October 28, 2000 per share
For the three months ended	$ 538	$ 0.04	$ 2,891	$ 0.18
For the nine months ended	$ (117)	$(0.01)	$ 3,502	$ 0.21

SEASONALITY

Historically, the Company has experienced seasonal fluctuations in revenues and income, exclusive of non-recurring charges, with increases occurring during the Company's third and fourth quarters as a result of "Fall" and "Holiday" seasons. Although the Company's strategic focus has shifted towards its outlet retail business selling exclusively Levi Strauss & Co. product, the Company continues to experience a significant portion of its revenue and income in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash needs are for working capital, essentially inventory requirements, and capital expenditures. In that the Company's retail stores are primarily in the outlet channel of distribution, opportunistically acquiring close-out merchandise is an integral part of Designs business. In addition, the Company's capital expenditure program has included projects for new store openings, remodeling existing stores, and improvements in its systems infrastructure. In that the Company has substantially completed its projects for systems infrastructure and existing store improvements, on a go forward basis, much of the Company's capital requirements will be used for expansion of other branded retail stores. Strategically, the Company believes it has substantial growth opportunity in the expansion of its core competency of operating recognizable branded retail stores in cooperation with various other manufacturers with strong brands similar in stature to Levi Strauss & Co.

During the first nine months of fiscal 2002, cash used for operations was $5.3 million as compared to cash provided by operations of $5.2 million for the first nine months of the prior year. Cash from operations as compared to the prior year decreased $10.7 million due primarily to a decrease in earnings of $3.6 million, increases in inventory levels as a result of opportunistic purchases and settlement with the Internal Revenue Service during the third quarter of fiscal 2002 for $1.5 million.

At November 3, 2001, total inventory equaled $74.5 million, compared to $57.7 million at February 3, 2001. This increase in inventory is in part seasonal and reflects the receipt of merchandise in preparation for the holiday selling seasons, as well as an increase in the number of store locations and certain opportunistic purchases of inventory. The Company stocks its stores with Levi's(R) and Dockers(R) manufacturing overruns, merchandise specifically manufactured for the outlet stores and discontinued lines and irregulars all purchased primarily from Levi Strauss & Co. By their nature, manufacturing overruns, and discontinued or irregular merchandise, including the most popular Levi Strauss & Co. styles of merchandise, and the breadth of the mix of this merchandise, are subject to limited availability. The Company continues to evaluate additional opportunities to purchase quantities of Levi's(R), Dockers(R) and Slates(R) brand products.

Total cash outlays for capital expenditures, net of landlord allowances, for the first nine months of fiscal 2002 were $2.6 million compared to $2.3 million during the first nine months of fiscal 2001. During the first nine months of fiscal 2002, the Company opened five new Levi's(R)/Dockers(R) stores, one of which is located in Puerto Rico, and two new Dockers(R) stores, both of which were in real estate locations where there were existing Levi's(R) only stores. The Company also remodeled seven of its older stores and combined three additional pairs of its stand-alone Dockers(R) and Levi's(R) outlet stores that were adjacent to each other into three combined Levi's(R)/Dockers(R) stores. By combining the individual stores into one store, the Company was able to reduce total square footage, reduce labor costs and provide a cross-over environment for the brands.

On October 23, 2001, the Company announced that it had reached an agreement in principle with Candies, Inc., a leading designer and marketer of young women's footwear, apparel and accessories, under which the Company will open and operate, under a license agreement, Candies branded retail stores in outlet malls throughout the United States. This license agreement is the Company's first step towards its strategy of seeking to diversify into operating branded retail stores in cooperation with various other manufacturers. Although the Candies license agreement will not benefit the Company's performance this year, the Company believes that this direction provides the Company with significant future growth potential. Since the Company's announcement, several other interested manufacturers that do not currently have an outlet presence have contacted the Company. The Company's requirements for capital expenditures are expected to be primarily associated with the expansion of retail stores pursuant to the Candies' license agreement and other arrangements which may be formed with other manufacturers.

During the first nine months of fiscal 2002, a portion of the Company's cash needs came from borrowings under its bank credit facility. At November 3, 2001, the Company had borrowings of approximately $32.2 million outstanding under this credit facility and had three outstanding standby letters of credit totaling approximately $2.3 million.

The Company's working capital at November 3, 2001 was approximately $14.1 million, compared to $16.3 million at February 3, 2001. This decrease in working capital was primarily attributable to capital expenditures incurred for new and remodeled stores.

The foregoing discussion of the Company's results of operations, liquidity, capital resources and capital expenditures includes certain forward-looking information. Such forward-looking information requires management to make certain estimates and assumptions regarding the Company's expected strategic direction and the related effect of such plans on the financial results of the Company. Accordingly, actual results and the Company's implementation of its plans and operations may differ materially from forward-looking statements made by the Company. The Company encourages readers of this information to refer to Exhibit 99 to the Company's Form 8-K, filed with the United States Securities and Exchange Commission on April 28, 2000, which identifies certain risks and uncertainties that may have an impact on future earnings and the direction of the Company.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, the financial position and results of operations of the Company are routinely subject to a variety of risks,

including market risk associated with interest rate movements on borrowings. The Company regularly assesses these risks and has established policies and business practices to seek to protect against the adverse effect of these and other potential exposures.

The Company utilizes cash from operations and short-term borrowings to fund its working capital needs. Borrowings under the Company's bank credit agreement, which expires in November 2003, bear interest at variable rates based on FleetBoston, N.A.'s prime rate or the London Interbank Offering Rate ("LIBOR"). These interest rates at November 3, 2001 were 5.50% for prime and of 4.220% to 5.520% on varying LIBOR contracts. Based upon sensitivity analysis as of November 3, 2001, a 10% increase in interest rates would result in a potential cost to the Company of approximately $160,000 on an annualized basis. In addition, the Company has available letters of credit as sources of financing for its working capital requirements.

Part II. Other Information

ITEM 1. Legal Proceedings

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

In May 1995, the Company purchased from Boston Trading Ltd., Inc. (d/b/a Atlantic Harbor, Inc.) certain assets including various trademarks and license agreements. The terms of the Asset Purchase Agreement, which was dated April 25, 1995 (the "Purchase Agreement"), included the Company delivering a $1 million promissory note (the "Purchase Note") for the balance of the purchase price. The principal amount of the Purchase Note was stated to be payable in two equal annual installments through May 1997. In the first quarter of fiscal 1997, the Company asserted certain indemnification rights under the Purchase Agreement. In accordance with the terms of the Purchase Agreement, the Company, when exercising its indemnification rights, had the right, among other courses of action, to offset against the payment of principal and interest due and payable under the Purchase Note. Accordingly, the Company did not make the two $500,000 principal payments on the Purchase Note that were due on May 2, 1996 and May 2, 1997. The Company paid all interest on the original principal amount through May 2, 1996 and continued to pay interest thereafter through January 31, 1998 on $500,000 of principal. In January 1998, Atlantic Harbor, Inc. filed a lawsuit against the Company for failing to pay the outstanding principal amount of the Purchase Note. In March 1998, the Company filed a counterclaim against Atlantic Harbor, Inc. alleging that the Company suffered damages in excess of $1 million because of the breach of certain representations and warranties made by Atlantic Harbor, Inc. and its stockholders concerning the existence and condition of certain foreign trademark registrations and license agreements.

During the first quarter of fiscal 2002, the Company entered into a settlement agreement with Atlantic Harbor, Inc. whereby Atlantic Harbor, Inc. agreed to accept from the Company a cash payment of $450,000 in settlement of all obligations under the Purchase Note. In exchange, the Company agreed to transfer and assign all trademarks and license agreements acquired as part of the Purchase Agreement to a new entity in which the Company would have a 15% equity interest, with Atlantic Harbor, Inc. and its affiliates retaining the remaining interest. The Company would also be entitled to receive up to an additional $150,000 from existing license royalties over the next four years. At February 3, 2001, the Company recorded a gain related to the settlement of this matter in the amount of $550,000, which was included in "Provision for impairment of assets, store closings and severance" on the Consolidated Statements of Operations for fiscal 2001.

On August 25, 2001, the Company and the Internal Revenue Service ("IRS") reached a final settlement on the audit of the Company's federal income tax returns for fiscal years 1992 through 1996. In accordance with this settlement, the Company paid the IRS a total of $1.5 million, including interest. The settlement of $1.5 million had no material impact on the Company's earnings for the three and nine months ended November 3, 2001 due to adequate provisions previously established by the Company.

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Default Upon Senior Securities

None.

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

None.

ITEM 6. Exhibits and Reports on Form 8-K

A. Reports on Form 8-K:

None.

B. Exhibits:

3.1 Restated Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1 to Amendment No. 3 of the Company's Registration Statement on Form S-1 (No. 33-13402), and incorporated herein by reference). *

3.2 Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated June 22, 1993 (included as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q dated June 17, 1996, and incorporated herein by reference). *

3.3 Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of the Company established Series A Junior Participating Cumulative Preferred Stock dated May 1, 1995 (included as Exhibit 3.2 to the Company's Annual Report on Form 10-K dated May 1, 1996 and incorporated herein by reference). *

3.4 By-Laws of the Company, as amended (included as Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q dated December 12,2000, and incorporated herein by reference). *

10.1 1992 Stock Incentive Plan, as amended (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated September 18, 2001 and incorporated herein by reference). *

10.2 License Agreement between the Company and Levi Strauss & Co. dated as of April 14, 1992 (included as Exhibit 10.8 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference). *

10.3 Amended and Restated Trademark License Agreement between the Company and Levi Strauss & Co. dated as of October 31, 1998 (included as Exhibit 10.4 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference). *

10.4 Amendment to the Amended and Restated Trademark License Agreement dated March 22, 2000 (included as Exhibit 10.7 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.5 Second Amended and Restated Loan and Security Agreement dated as of December 7, 2000 among the Company and Fleet Retail Finance Inc., as agent for the Lender(s) identified therein. (included as Exhibit 10.12 to the Company's Form 10-Q dated October 28, 2000, and incorporated herein by reference). *

10.6 Amendment and Distribution Agreement dated as of October 31, 1998 among the Designs Partner, the LOS Partner and the OLS Partnership (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference). *

10.7 Guaranty by the Company of the indemnification obligation of the Designs Partner dated as of October 31, 1998 in favor of LS & Co. (included as Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference). *

10.8 Asset Purchase Agreement between LOS and the Company relating to the sale by the Company of stores located in Minneapolis, Minnesota dated January 28, 1995 (included as Exhibit 10.9 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference). *

10.9 Asset Purchase Agreement among Boston Trading Ltd., Inc., Designs Acquisition Corp., the Company and others dated April 21, 1995 (included as Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q dated September 12, 1995, and incorporated herein by reference). *

10.10 Non-Negotiable Promissory Note between the Company and

Atlantic Harbor, Inc., formerly know as Boston Trading Ltd., Inc., dated May 2, 1995 (included as Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q dated September 12, 1995, and incorporated herein by reference). *

10.11 Asset Purchase Agreement dated as of September 30, 1998 between the Company and LOS relating to the purchase by the Company of 16 Dockers(R) Outlet and nine Levi's(R) Outlet stores (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference). *

10.12 Agreement Regarding Leases dated November 2, 2000 between the Company and O.M. 66 B Street LLC (included as Exhibit 10.36 to the Company's Form 10-Q dated October 28, 2000, and incorporated herein be reference). *

10.13 Consulting Agreement dated as of December 15, 1999 between the Company and George T. Porter, Jr. (included as Exhibit 10.22 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.14 Consulting Agreement dated as of November 14, 1999 between the Company and Business Ventures International, Inc. (included as Exhibit 10.23 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.15 Extension to Consulting Agreement, dated as of April 28, 2001, between the Company and Jewelcor Management, Inc. (included as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q dated September 18, 2001 and incorporated herein by reference). *

10.16 Employment Agreement dated as of October 16, 1995 between the Company and Joel H. Reichman (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 6, 1995, and incorporated herein by reference). *

10.17 Employment Agreement dated as of October 16, 1995 between the Company and Scott N. Semel (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 6, 1995, and incorporated herein by reference). *

10.18 Employment Agreement dated as of May 9, 1997 between the Company and Carolyn R. Faulkner (included as Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q dated June 17, 1997, and incorporated herein by reference) *

10.19 Employment Agreement dated as of March 31, 2000 between the Company and David A. Levin (included as Exhibit 10.27 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.20 Amendment to Employment Agreement dated as of March 31, 2000 between the Company and David A. Levin. (included as Exhibit 10.19 to the Company's Form 10-Q dated June 19, 2001, and incorporated herein by reference). *

10.21 Secured Promissory Note dated as of June 26, 2000 between the Company and David A. Levin (included as Exhibit 10.29 to the Company's Form 10-Q dated September 12, 2000, and incorporated herein by reference). *

10.22 Pledge and Security Agreement dated June 26, 2000 between the Company and David A. Levin (included as Exhibit 10.29 to the Company's Form 10-Q dated September 12, 2000, and incorporated herein by reference). *

10.23 Employment Agreement dated as of August 14, 2000 between the Company and Dennis R. Hernreich (included as Exhibit 10.30 to the Company's Form 10-Q dated September 12, 2000, and incorporated herein by reference). *

10.24 Amendment to Employment Agreement dated as of August 14, 2000 between the Company and Dennis R. Hernreich(included as Exhibit 10.23 to the Company's Form 10-Q dated June 19,2001, and incorporated herein by reference). *

10.25 Employment Agreement dated as of October 22, 2001 between the Company and Ronald N. Batts.

10.26 Severance Agreement dated as of January 12, 2000 between the

Company and Joel H. Reichman (included as Exhibit 10.23 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.27 Severance Agreement dated as of January 20, 2000 between the Company and Scott N. Semel (included as Exhibit 10.23 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.28 Severance Agreement dated as of January 15, 2000 between the Company and Carolyn R. Faulkner (included as Exhibit 10.23 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.29 Indemnification Agreement between the Company and Joel H. Reichman, dated December 10, 1998 (included as Exhibit 10.34 to the Company's Annual Report on Form 10-K dated April 30, 1999 and incorporated herein by reference). *

10.30 Indemnification Agreement between the Company and Scott N. Semel, dated December 10, 1998 (included as Exhibit 10.35 to the Company's Annual Report on Form 10-K dated April 30, 1999 and incorporated herein by reference). *

10.31 Indemnification Agreement between the Company and Carolyn R. Faulkner, dated December 10, 1998 (included as Exhibit 10.36 to the Company's Annual Report on Form 10-K dated April 30, 1999 and incorporated herein by reference). *

18.1 Letter of Preferability from Ernst & Young dated June 13, 2001 (included as Exhibit 18.1 to the Company's Form 10-Q dated June 19,2001 and incorporated herein by reference). *

99 Report of the Company on Form 8-K, dated April 28, 2000 concerning certain cautionary statements of the Company to be taken into account in conjunction with consideration and review of the Company's publicly-disseminated documents (including oral statements made by others on behalf of the Company) that include forward looking information. *

* Previously filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DESIGNS, INC.

December 14, 2001

By: /S/ DENNIS R. HERNREICH
Dennis R. Hernreich, Senior Vice President,
Chief Financial Officer, Treasurer and
Secretary

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made as of October 22, 2001 between DESIGNS, INC., a Delaware corporation with an office at 66 B Street, Needham, Massachusetts, 02494 (the "Company"), and Ronald N. Batts (the "Executive").

WITNESSETH:

WHEREAS, the Company desires that Executive be employed to serve in a senior executive capacity with the Company, and Executive desires to be so employed by the Company, upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations and covenants herein contained, the parties hereto agree as follows:

1. EMPLOYMENT

The Company hereby employs Executive and Executive hereby accepts such employment, subject to the terms and conditions herein set forth. Executive shall hold the office of Senior Vice President of Operations of the Company.

2. TERM

The term of employment under this Agreement shall begin on October 22, 2001(the "Employment Date") and shall continue for a period of one (1) year from that date ("Initial Term"), subject to prior termination in accordance with the terms hereof. The term hereof shall automatically be extended for an additional one (1) year unless either party gives written notice to the other, at least sixty (60) days prior to the end of the Initial Term, of such party's intention to not extend this Agreement.

3. COMPENSATION

(a) As compensation for the employment services to be rendered by Executive hereunder, the Company agrees to pay to Executive, and Executive agrees to accept, payable in equal installments in accordance with Company practice, an annual base salary of $240,000.

(b) In addition to the annual base salary, Executive may receive a discretionary annual bonus of up to forty- percent (40%) of his annual base salary (the "Discretionary Bonus"), depending on the performance of the Company. The Compensation Committee of the Board of Directors shall determine, in its sole discretion, the amount of any bonus to be paid to Executive. Executive will receive a prepayment of the Discretionary Bonus in the amount of $2,000 per month for the Initial Term only. Any Discretionary Bonus that the Compensation Committee determines shall be paid to Executive shall be reduced by the amount of any prepayments made to Executive.

(c) The Company will pay Executive the total amount of $85,000 for moving costs associated with Executive's relocation to the Boston, Massachusetts metropolitan area. ("Boston"), payable upon the listing of the Executive's current home. However, if the Executive resigns his position with the Company during the Initial Term, Executive shall reimburse to the Company the $85,000 payment within forty-five (45) days after the effective date of his resignation.

(d) The Executive must permanently relocate to Boston on or before June 15, 2002. The Company will reimburse the Executive's reasonable air fare related to his travel (round trip coach air fare with fourteen day advance purchase only) between Boston and Dallas, TX. (which shall be limited to two (2) trips per month) and provide Executive with temporary living quarters in Boston. The Company's obligation to reimburse Executive for the reasonable air fare and provide temporary living quarters as set forth in this Subsection shall cease upon the earlier of (a) the date the Executive permanently relocates to Boston or (b) June 15, 2002. If Executive resigns his position with the Company during the term of this Agreement, Executive shall reimburse to the Company the costs of any and all expenses for temporary living quarters paid by the Company within forty-five (45) days after the effective date of his resignation, based upon the following schedule: (a) If Executive resigns during the first 90 days of the Initial Term then Executive shall be required to reimburse the Company for 75% of such expenses, (b) If Executive resigns between the 91st and 180th day of the Initial Term, then Executive shall be required to reimburse the Company for 50% of such expenses, (c) If Executive resigns between the 181st and the 270th day of the Initial Term, then Executive shall be required to reimburse the Company for 25% of such expenses, and (d) If Executive resigns subsequent to the 270th, then Executive shall not be

required to reimburse the Company for any of such expenses.

4. OPTIONS

The Company shall grant to the Executive 50,000 options under the Company's 1992 Stock Incentive Plan, which are exercisable at a purchase price per share equal to the closing price of the Common Stock on October 22, 2001. The options will vest pro rata over a three (3) year period commencing on the Employment Date, with one third of the total vesting and becoming exercisable on each of the first, second and third anniversaries of the Employment Date. In addition, the Executive must execute a standard Stock Option Agreement, which sets the terms and conditions for the Executive's options. The stock options must be exercised by October 22, 2011 or they shall become null and void.

5. EXPENSES

The Company shall pay or reimburse Executive, in accordance with the Company's policies and procedures and upon presentment of suitable vouchers, for all reasonable business and travel expenses, which may be incurred or paid by Executive in connection with his employment hereunder. Executive shall comply with such restrictions and shall keep such records as the Company may reasonably deem necessary to meet the requirements of the Internal Revenue Code of 1986, as amended from time to time, and regulations promulgated thereunder.

6 OTHER BENEFITS

(a) Executive shall be entitled to such vacations and to participate in and receive any other benefits customarily provided by the Company to its senior management (including any profit sharing, pension, 401 (k), short and long-term disability insurance, major medical insurance and group life insurance plans in accordance with the terms of such plans), all as determined from time to time by the Compensation Committee of the Board of Directors. However, the vacation, fully accrued, shall not be less than 4 weeks per year. Said vacation time shall be pro rated in the event Executive does not complete any full year of employment.

(b) The Company will, during the term of Executive's employment hereunder, provide Executive with an automobile for his use in performing his employment duties and obligations hereunder. If the Company provides an automobile, the Company shall pay for the costs of insurance, repairs and maintenance. If the Company does not provide Executive within automobile, the Company will pay an automobile allowance to Executive in the total amount of $600.00 per month. In that event, Executive shall pay and be responsible for all insurance, repairs and maintenance costs associated with operating that automobile. In either case, Executive is responsible for his gasoline, unless the gasoline expense is reimbursable under the Company's policies and procedures.

7. DUTIES

(a) Executive shall perform such duties and functions consistent with his position as Senior Vice President, and as the President and/or as the Board of Directors of the Company shall from time to time determine and Executive shall comply in the performance of his duties with the policies of, and be subject to the direction of, the Board of Directors. If requested, Executive shall serve as a corporate officer and or director of the Company without further compensation.

(b) At the request of President or the Board of Directors, Executive shall serve, without further compensation, as an executive officer, corporate officer and/or director of any subsidiary or affiliate of the Company and, in the performance of such duties, Executive shall comply with the directives and policies of the Board of Directors of each such subsidiary or affiliate.

(c) During the term of this Agreement, Executive shall devote substantially all of his time and attention, vacation time and absences for sickness excepted, to the business of the Company, as necessary to fulfill his duties. Executive shall perform the duties assigned to him with fidelity and to the best of his ability. Notwithstanding anything herein to the contrary, and subject to the foregoing, Executive may engage in other activities so long as such activities do not unreasonably interfere with Executive's performance of his duties hereunder and do not violate Section 10 hereof.

(d) The principal location at which the Executive shall perform his duties hereunder shall be at the Company's offices in Needham, Massachusetts or at such other location as may be designated from time to time by the Board of Directors of the Company. Notwithstanding the foregoing, Executive shall perform such services at such other locations as may be required for the proper performance of his duties hereunder, and Executive recognizes that such duties may involve

travel.

8. TERMINATION OF EMPLOYMENT; EFFECT OF TERMINATION

(a) Executive's employment hereunder may be terminated by the Company at any time:

(i) upon the determination by the President or the Board of Directors that Executive's performance of his duties has not been fully satisfactory for any reason which would not constitute justifiable cause (as hereinafter defined) upon thirty (30) days' prior written notice to Executive; or

(ii) upon the reasonable determination by the President or the Board of Directors that there is justifiable cause (as hereinafter defined) for such termination upon ten (10) days' prior written notice to Executive.

(b) Executive's employment shall terminate upon:

(i) the death of Executive; or

(ii) the "disability" of Executive (as hereinafter defined in Subsection(c) herein) pursuant to Subsection (g) hereof.

(c) For the purposes of this Agreement, the term "disability" shall mean the inability of Executive, due to illness, accident or any other physical or mental incapacity, substantially to perform his duties for a period of two (2) consecutive months or for a total of four (4) months (whether or not consecutive) in any twelve (12) month period during the term of this Agreement, as reasonably determined by the Board of Directors of the Company after examination of Executive by an independent physician reasonably acceptable to Executive.

(d) For the purposes hereof, the term "justifiable cause" shall mean: any repeated willful failure or refusal to perform any of the duties pursuant to this Agreement where such conduct shall not have ceased within 5 days following written warning from the Company; Executive's conviction (which, through lapse of time or otherwise, is not subject to appeal) of any crime or offense involving money or other property of the Company or its subsidiaries or affiliates or which constitutes a felony in the jurisdiction involved; Executive's performance of any act or his failure to act, as to which if Executive were prosecuted and convicted, a crime or offense involving money or property of the Company or its subsidiaries or affiliates, or a crime or offense constituting a felony in the jurisdiction involved, would have occurred; any unauthorized disclosure by Executive to any person, firm or corporation other than the Company, its subsidiaries or affiliates and their respective directors, officers and employees (or other persons fulfilling similar functions), of any confidential information or trade secret of the Company or any of its subsidiaries or affiliates; any attempt by Executive to secure any personal profit in connection with the business of the Company or any of its subsidiaries and affiliates; or the engaging by Executive in any business other than the business of the Company and its subsidiaries and affiliates which unreasonably interferes with the performance of his duties hereunder. Upon termination of Executive's employment for justifiable cause, this Agreement shall terminate immediately and Executive shall not be entitled to any amounts or benefits hereunder other than such portion of Executive's annual salary and reimbursement of expenses pursuant to Section 5 hereof as have been accrued through the date of his termination of employment.

(e) If the Company terminates this Agreement without "justifiable cause" as provided in Subsection 8 (a)(i) above, the Company shall pay Executive the greater of: (i) the base salary for the remaining term of this Agreement (plus, only in the event the termination occurs during the Initial Term, the applicable remainder of the Discretionary Bonus payable with respect to the remainder of the Initial Term) or (ii) an amount equal to one half of Executive's annual base salary (plus, only in the event the termination occurs during the Initial Term, one half of the Discretionary Bonus payable with respect to the Initial Term). However, if Executive is employed or retained, as an employee, independent contractor, consultant or in any other capacity ("New Employment") during the time he receives payment under this Subsection or Subsection 3 (b), the Company is entitled to a credit for all sums paid or earned by Executive during this period of time. The Executive must make a good faith effort to find New Employment and mitigate the amount of money to be paid by the Company to Executive under this Subsection or Subsection 3(b). The Company will pay any amount due and owing under 8 (a)(i) and 8(a)(ii) above in accordance with the payment schedule in 3(a), until paid in full.

(f) If Executive shall die during the term of his employment hereunder, this Agreement shall terminate immediately. In such event, the estate of Executive shall thereupon be entitled to receive such portion of Executive's annual salary and reimbursement of expenses pursuant to Section 5

as have been accrued through the date of his death.

(g) Upon Executive's "disability", the Company shall have the right to terminate Executive's employment. Notwithstanding any inability to perform his duties, Executive shall be entitled to receive his base salary and reimbursement of expenses pursuant to Section 5 as provided herein until he begins to receive long-ten-n disability insurance benefits under the policy provided by the Company pursuant to Section 6 hereof. Any termination pursuant to this Subsection (g) shall be effective on the later of (i) the date 30 days after which Executive shall have received written notice of the Company's election to terminate or (ii) the date he begins to receive long-term disability insurance benefits under the policy provided by the Company pursuant to Section 6 hereof

(h) Upon the resignation of Executive in any capacity, that resignation will be deemed to be a resignation from all offices and positions that Executive holds with respect to the Company and any of its subsidiaries and affiliates.

(i) Executive may terminate his employment with the Company upon (a) ten (10) days' prior written notice to the Company, for "Cause" (as defined below). For the purposes of this paragraph, "Cause" shall mean: (w) the assignment to Executive, without his express consent, of a substantial amount of duties which are inconsistent with his position with the Company, or a change in Executive's responsibilities which materially diminishes his responsibilities with the Company when considered as a whole; (x) a reduction by the Company in Executive's base salary (or during the Initial Term only, a reduction of the minimum discretionary bonus payable with respect to the Initial Term); (y) failure by the Company to comply with Sections 5 or 6 hereof; or (z) the Company's requiring Executive to be permanently based anywhere other than the Company's offices in Needham, Massachusetts, or within fifty (50) miles of said office. If the Executive terminates his employment hereunder for Cause (as defined in this paragraph), Executive shall be entitled to receive the payments described in Section 8(e) of this Agreement, and Executive shall not be required to make the reimbursements to the Company described in Sections 3(c) and 3(d)of this Agreement.

9. REPRESENTATION AND AGREEMENTS OF EXECUTIVE

(a) Executive represents and warrants that he is free to enter into this Agreement and to perform the duties required hereunder, and that there are no employment contracts or understandings, restrictive covenants or other restrictions, whether written or oral, preventing the performance of his duties hereunder.

(b) Executive agrees to submit to a medical examination and to cooperate and supply such other information and documents as may be required by any insurance company in connection with the Company's obtaining life insurance on the life of Executive, and any other type of insurance or fringe benefit as the Company shall determine from time to time to obtain.

(c) Executive represents and warrants that he has never been convicted of a felony and he has not been convicted or incarcerated for a misdemeanor within the past five years, other than a first conviction for drunkenness, simple assault, speeding, minor traffic violations, affray, or disturbance of the peace.

(d) Executive represents and warrants that he has never been a party to any judicial or administrative proceeding that resulted in a judgement, decree, or final order (i) enjoining him from future violations of, or prohibiting any violations of any federal or state securities law, or (ii) finding any violations of any federal or state securities law.

(e) Executive represents and warrants that he has never been accused of any impropriety in connection with any employment;Any breach of any of the above representations and warranties is "justifiable cause" for termination under Section 8 of this Agreement.

10. NON-COMPETITION

(a) Executive agrees that during his employment by the Company and during the six month period following the termination of Executive's employment hereunder (the "Non-Competitive Period"), Executive shall not, directly or indirectly, as owner, partner, joint venturer, stockholder, employee, broker, agent, principal, trustee, corporate officer, director, licensor, or in any capacity whatsoever, engage in, become financially interested in, be employed by, render any consultation or business advice with respect to, or have any connection with, any business which is competitive with products or services of the Company or any subsidiaries and affiliates, of the Company with respect to whom the Executive exercised any significant responsibilities (as reasonably determined by the Company) in any geographic area in the United States of America and Puerto Rico where, at the time of the termination of his employment

hereunder, the business of the Company or any of such subsidiaries and affiliates was being conducted or was proposed to be conducted in any manner whatsoever; provided, however, that Executive may own any securities of any corporation which is engaged in such business and is publicly owned and traded but in an amount not to exceed at any one time one percent (1%) of any class of stock or securities of such corporation. In addition, Executive shall not, during the Non-Competitive Period, directly or indirectly, request or cause any suppliers or customers with whom the Company or any of its subsidiaries and affiliates has a business relationship to cancel or terminate any such business relationship with the Company or any of its subsidiaries and affiliates or solicit, hire, interfere with or entice from the Company any employee (or former employee) of the Company.

(b) If any portion of the restrictions set forth in this Section 10 should, for any reason whatsoever, be declared invalid by a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions shall not thereby be adversely affected. For the purposes of this Section 10, a business shall be deemed to be competitive with the products and services of the Company (or such subsidiaries and affiliates) if it sells exclusively in outlet or factory stores (i) a product assortment comprised exclusively of Levi Strauss & Co. products (ii) a product assortment of a singular nationally recognized brand that constitutes at least 80% of the merchandise assortment of the Company stores or the stores of such Company subsidiaries and affiliates.

(c) Executive acknowledges that the Company conducts business throughout the Eastern portion of United States (all states east of the Mississippi River and Missouri) and Puerto Rico, that its sales and marketing prospects are for continued expansion throughout the United States and therefore, the territorial and time limitations set forth in this Section 10 are reasonable and properly required for the adequate protection of the business of the Company and its subsidiaries and affiliates. In the event any such territorial or time limitation is deemed to be unreasonable by a court of competent jurisdiction, Executive agrees to the reduction of the territorial or time limitation to the area or period which such court shall deem reasonable.

(d) The existence of any non-material claim or cause of action (a "non-material" claim or cause of action is defined as a claim or cause of action which results from something other than a material breach of the terms and provisions of this Agreement by the Company) by Executive against the Company or any subsidiary or affiliate shall not constitute a defense to the enforcement by the Company or any subsidiary or affiliate of the foregoing restrictive covenants, but such claim or cause of action shall be litigated separately.

11. INVENTIONS AND DISCOVERIES

(a) Upon execution of this Agreement and thereafter, Executive shall promptly and fully disclose to the Company, and with all necessary detail for a complete understanding of the same, all existing and future developments, know-how, discoveries, inventions, improvements, concepts, ideas, writings, formulae, processes and Methods (whether copyrightable, patentable or otherwise) made, received, conceived, acquired or written during working hours, or otherwise, by Executive (whether or not at the request or upon the suggestion of the Company) during the period of his employment with, or rendering of advisory or consulting services to, the Company or any of its subsidiaries and affiliates, solely or jointly with others, in or relating to any activities of the Company or its subsidiaries and affiliates known to him as a consequence of his employment or the rendering of advisory and consulting services hereunder (collectively the "Subject Matter").

(b) Executive hereby assigns and transfers, and agrees to assign and transfer, to the Company, all his rights, title and interest in and to the Subject Matter, and Executive further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to the Subject Matter, and to execute, acknowledge and deliver all such further papers, including applications for copyrights or patents, as may be necessary to obtain copyrights and patents for any thereof in any and all countries and to vest title thereto to the Company. Executive shall assist the Company in obtaining such copyrights or patents during the term of this Agreement, and at any time thereafter on reasonable notice and at mutually convenient times, and Executive agrees to testify in any prosecution or litigation involving any of the Subject Matter; provided, however, that Executive shall be compensated in a timely manner at the rate of $250 per day (or portion thereof), plus out-of-pocket expenses incurred in rendering such assistance or giving or preparing to give such testimony if it is required after the termination of this Agreement.

12. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

(a) Executive shall not, during the term of this Agreement or at any time following termination of this Agreement, directly or indirectly, disclose or permit to be known (other than as is required in the regular course of his duties (including without limitation disclosures to the Company's advisors and consultants), as required by law (in which case Executive shall give the Company prior written notice of such required disclosure) or with the prior written consent of the Board of Directors of the Company), to any person, firm, corporation, or other entity, any confidential information acquired by him during the course of, or as an incident to, his employment or the rendering of his advisory or consulting services hereunder, relating to the Company or any of its subsidiaries and affiliates, the directors of the Company or its subsidiaries and affiliates, any supplier or customer of the Company or any of their subsidiaries and affiliates, or any corporation, partnership or other entity owned or controlled, directly or indirectly, by any of the foregoing, or in which any of the foregoing has a beneficial interest, including, but not limited to, the business affairs of each of the foregoing. Such confidential information shall include, but shall not be limited to, proprietary technology, trade secrets, patented processes, research and development data, know-how, market studies and forecasts, financial data, competitive analyses, pricing policies, employee lists, personnel policies, the substance of agreements with customers, suppliers and others, marketing or dealership arrangements, servicing and training programs and arrangements, supplier lists, customer lists and any other documents embodying such confidential information. This confidentiality obligation shall not apply to any confidential information which is or becomes publicly available other than pursuant to a breach of this Section 12(a) by Executive.

(b) All information and documents relating to the Company and its affiliates as hereinabove described (or other business affairs) shall be the exclusive property of the Company, and Executive shall use commercially reasonable best efforts to prevent any publication or disclosure thereof. Upon termination of Executive's employment with the Company, all documents, records, reports, writings and other similar documents containing confidential information, including copies thereof then in Executive's possession or control shall be returned and left with the Company.

13. SPECIFIC PERFORMANCE

Executive agrees that if he breaches, or threatens to commit a breach of, any of the provisions of Sections 10, 11 or 12 (the "Restrictive Covenants"), the Company shall have, in addition to, and not in lieu of, any other rights and remedies available to the Company under law and in equity, the right to have the Restrictive Covenants specifically enforced by a court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Notwithstanding the foregoing, nothing herein shall constitute a waiver by Executive of his right to contest whether a breach or threatened breach of any Restrictive Covenant has occurred.

14. AMENDMENT OR ALTERATION

No amendment or alteration of the terms of this Agreement shall be valid Unless made in writing and signed by both of the parties hereto.

15. GOVERNING LAW

This Agreement shall be governed by, and construed and enforced in Accordance with the substantive laws of The Commonwealth of Massachusetts, without regard to its principles of conflicts of laws.

16. SEVERABILITY

The holding of any provision of this Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect.

17. NOTICES

Any notices required or permitted to be given hereunder shall be sufficient if in writing, and if delivered by hand or courier, or sent by certified mail, return receipt requested, to the addresses set forth above or such other address as either party may from time to time designate in writing to the other, and shall be deemed given as of the date of the delivery or at the expiration of three days in the event of a mailing.

18. WAIVER OR BREACH

It is agreed that a waiver by either party or a breach of any provision of this Agreement shall not operate, or be construed as a waiver of any

subsequent breach by that same party.

19. ENTIRE AGREEMENT AND BINDING EFFECT

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof, supersedes all prior agreements, both written and oral, between the parties with respect to the subject matter hereof, and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, distributors, successors and assigns.

20. SURVIVAL.

Except as otherwise expressly provided herein, the termination of Executive's employment hereunder or the expiration of this Agreement shall not affect the enforceability of Sections 5, 8, 10, 11, 12 and 13 hereof.

21. ARBITRATION

If any dispute arises between the parties that they cannot settle, the parties agree to submit the dispute to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and both parties agree to be bound by the arbitration award.

22. FURTHER ASSURANCES

The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

23. HEADINGS

The Section headings appearing in this Agreement are for the purposes of easy reference and shall not be considered a part of this Agreement or in any way modify, amend or affect its provisions.

24. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, under seal, as of the date and year first above written.

DESIGNS, INC.
By: /s/ DAVID A. LEVIN
Its: President

EXECUTIVE
/s/ RONALD N. BATTS
Ronald N. Batts