

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report:

April 24, 1995

DESIGNS, INC.

(Exact Name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	0-15898 (Commission File Number)	04-2623104 (IRS Employer Identification No.)
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1244 Boylston Street, Chestnut Hill, Massachusetts (Address of principal executive offices)	02167 (Zip Code)
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(617) 739-6722
(Registrant's telephone number, including area code)

Item 5. Other Events

As previously announced, on January 27, 1995, Designs, Inc. (the 'Company') announced that subsidiaries of Levi Strauss & Co. and the Company entered into agreements, dated as of January 28, 1995, establishing a joint venture to operate up to 35 to 50 'Original Levi's(R) Stores' and 'Levi's(R) Outlet' stores selling Levi's(R) brand jeans and jeans-related products. The 'Levi's(R) Outlet' stores will principally service the close-out products of the joint venture 'Original Levi's(R) Stores.' The joint venture stores are expected to be opened throughout 11 northeastern states and the District of Columbia over the next three to five years. In conjunction with the formation of the joint venture, the Company's 'Original Levi's(R) Store' located in Minneapolis, Minnesota and its 'Dockers(R) Shop' stores located in Minneapolis, Minnesota and Cambridge, Massachusetts were transferred to Levi's Only Stores, Inc., a subsidiary of Levi Strauss & Co.

Accompanying this Report as Exhibits 10.1 through 10.8 are certain agreements (each without disclosure exhibits except as otherwise indicated) related to the formation of the joint venture. Also accompanying this Report as Exhibits 10.9 and 10.10 are certain agreements (each without disclosure exhibits) related to the transfer of the Company's 'Original Levi's(R) Store' located in Minneapolis, Minnesota and its 'Dockers(R) Shop' stores located in Minneapolis, Minnesota and Cambridge, Massachusetts to LOS.

SIGNATURES

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 hereunto duly authorized.

DESIGNS, INC.

Date: April 24, 1995

By: /s/Scott N. Semel
Scott N. Semel, Senior
Vice President

Index to Exhibits

Exhibit No.	Description
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10.1.	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')
10.2.	Partnership Agreement of The Designs/OLS Partnership (the `Partnership') between the LOS Partner and the Designs Partner
10.3.	Glossary executed by the Designs Partner, the Company, the LOS Partner, LOS, LS&CO, LSAI and the Partnership
10.4.	Sublicense Agreement between LOS and the LOS Partner with exhibits A and B
10.5.	Sublicense Agreement between the LOS Partner and the Partnership with exhibits B and C
10.6.	License Agreement between the Company and the Partnership
10.7.	Administrative Services Agreement between the Company and the Partnership
10.8.	Agreement between the Company and LOS covering the payment to the Company of a \$875,000 fee from LOS
10.9.	Asset Purchase Agreement between LOS and the Company relating to the stores located in Minneapolis, Minnesota
10.10.	Asset Purchase Agreement between LOS and the Company relating to

PARTICIPATION AGREEMENT

THIS IS A PARTICIPATION AGREEMENT (the "Agreement") dated as of January 28, 1995, by and among Designs JV Corp., a Delaware corporation (the "Designs Partner"), Designs, Inc., a Delaware Corporation ("Designs"), LDJV Inc., a Delaware corporation (the "LOS Partner"), Levi's Only Stores, Inc., a Delaware corporation ("LOS Inc."), Levi Strauss & Co., a Delaware corporation ("LS&CO."), and Levi Strauss Associates Inc., a Delaware corporation ("LSAI"). The Designs Partner and the LOS Partner are sometimes referred to individually as a "Partner" and together as the "Partners". The Designs Partner and Designs are sometimes referred to individually as a "Designs Party" and together as the "Designs Parties". The LOS Partner, LOS Inc., LS&CO. and LSAI are sometimes referred to individually as an "LOS Party" and together as the "LOS Parties". The Designs Parties and the LOS Parties are sometimes referred to individually as a "Party" and together as the "Parties".

B A C K G R O U N D

The Partners are forming a general partnership that will own and operate retail stores. Those stores will sell Levi's(R) branded adult jeans and jeans-related products. This Agreement, together with a Partnership Agreement and other agreements referred to in this Agreement, address the capitalization of the Partnership and other matters relating to the Partnership.

ACCORDINGLY, THE PARTIES HEREBY AGREE AS FOLLOWS:

ARTICLE 1 DEFINITIONS

The capitalized terms used in this Agreement that are not defined in this Agreement have the meanings given them in the Glossary that the Parties signed as of the same date they signed this Agreement, as that Glossary may be amended from time to time.

ARTICLE 2 CONTRIBUTIONS TO THE PARTNERSHIP

2.1 Contribution by the Designs Partner. At the Closing, the Designs Partner is transferring to the Partnership (or causing to be transferred to the Partnership) all right, title and interest in and to the Contributed Assets held by any Designs Party. The "Contributed Assets" consist of:

(a) the eleven leases identified on Schedule 2.1 to this Agreement (the "Leases"), consisting of the Leases for the eight OLSs identified in Part 1 of Schedule 2.1 and the three Leases for future OLSs identified in Part 2 of Schedule 2.1 (such eleven present and future OLSs being referred to in this Agreement as the "Original Stores");

(b) all real property, fixtures and tangible personal property owned by any Designs Party and either located at an Original Store at the Closing or in any event normally located at an Original Store (including, for example, furniture, equipment, inventory and copies, but not originals, of records) and

(c) except as explained in Subsection 2.1(d), all rights that accrue after the Closing under all leases for fixtures and tangible personal property either located at an Original Store at the Closing or in any event normally located at any Original Store, and all rights that accrue after the Closing under all other contracts and understandings to which any Designs Party is a party respecting any goods or services (for example, utilities) that are used or consumed at any Original Store (the Leases and such contracts and understandings being referred to

collectively as the "Contracts").

Schedule 2.1 to this Agreement is a list of the Contributed Assets segregated by Original Store. However, Schedule 2.1 does not include items of owned tangible property and leases respecting tangible property that in either case had an original cost of less than \$1,000. Because the Designs Parties prepared Schedule 2.1, any failure to identify any Contributed Assets on Schedule 2.1 shall not prejudice the Partnership's right to those assets.

(d) Notwithstanding Subsection 2.1(c), certain Contracts relate also to tangible personal property, other items or services that are used at stores owned or operated by Designs which are not Original Stores. An example is the Contract or Contracts under which Designs purchases fire protection and HVAC maintenance services. Those Contracts shall not be assigned and assumed, as such. However, unless and until the Partnership enters into a separate agreement with the relevant vendor or a substitute vendor, the Parties shall cooperate in order to do what they can to enable the Partnership to realize the benefits of those Contracts, subject to the burdens of those Contracts, but with respect to the Original Stores only, and the Partnership shall reimburse Designs for its costs related to such benefits and burdens. The Parties shall cooperate to cause the Partnership to obtain such separate agreements as soon as is reasonably practicable.

2.2 Excluded Assets. Despite Section 2.1, the Contributed Assets do not include:

- (a) cash, cash equivalents, accounts receivable, deposits, claims, rights to refunds;
- (b) close-out, irregular and end-of-season product identified on Schedule 2.2;
- (c) the intellectual property covered by the Designs License Agreement; and
- (d) personnel records.

2.3 Contribution by the LOS Partner.

(a) The LOS Partner is contributing cash to the Partnership, as explained in this Section 2.3. The amount of that cash shall equal three-sevenths of the value which the Partners attribute to the Contributed Assets under this Agreement. However, that value and therefore the amount of that cash will not be known at the Closing. Accordingly, the LOS Partner is contributing cash to the Partnership at the Closing based on an estimate of that value, namely \$5,400,000. The LOS Partner and the Partnership will "settle up" after the Closing, as explained in Subsections 2.3(c), (d) and (e).

(b) The value the Partners attribute to the Contributed Assets shall equal:

$$\text{CPE} + \text{GFA} + \text{I} - \text{P} + \text{L}$$

where

CPE = the capitalized pre-opening expenses of the Original Stores

GFA = the gross fixed assets of the Original Stores as of the opening of business on the Closing Date

I = the inventories included among the Contributed Assets that are located at or already ordered for the Original

Stores as of the opening of business on the Closing Date that, as of that time, have not been sold by any Designs Party but have been (or later are) paid for by a Designs Party

P = the cumulative profit (if any) of the Original Stores from the date each was opened to the opening of business on the Closing Date

L = the cumulative losses (if any) of the Original Stores from the date each was opened to the Closing Date

Schedule 2.3 to this Agreement explains the manner in which the elements of this formula will be determined.

(c) Within 60 days after the Closing, the Designs Partner shall deliver a statement to the LOS Partner setting forth, by Original Store, all the values needed to apply the formula in Subsection 2.3(b) (the "Contributed Asset Statement"). The Contributed Asset Statement shall be certified by Designs' Chief Financial Officer as having been prepared in accordance with generally accepted accounting principles but subject to the rules set forth on Schedule 2.3. Within 30 days after the Designs Partner delivers the Contributed Asset Statement, the LOS Partner shall (i) accept that statement or (ii) furnish the Designs Partner with a statement objecting to one or more of the figures in the Contributed Asset Statement and the basis for its objections and/or requiring that one or more of the figures in the Contributed Asset Statement be audited. If the LOS Partner does not respond within those 30 days, the LOS Partner shall be considered to have accepted the Contributed Asset Statement. The Designs Parties shall furnish the LOS Partner and its representatives with all information reasonably requested by the LOS Partner or its representatives to enable them to assess the Contributed Asset Statement both during and after that 30-day period. Use of that information shall be governed by Article 12 of this Agreement.

(d) If the LOS Partner timely objects to any aspect of the Contributed Asset Statement or, in any event, if the LOS Partner requests that one or more figures in the Contributed Asset Statement be audited, the open issues shall be resolved or the audit performed by an accounting firm jointly selected by the accounting firms normally used by LOS and Designs. The firm selected shall be instructed to resolve the matters in controversy within 30 days after it is selected or as soon thereafter as is reasonable. The Designs Parties shall furnish that firm with all non-confidential information it reasonably requests in order to perform its task and meet that schedule. That firm's resolution of the open issues shall bind all Parties. The LOS Partner shall pay the cost of that audit.

(e) Within three days after the final Contributed Asset Statement and any related audit report have been delivered to the LOS Partner, the LOS Partner shall contribute additional cash to the Partnership or the Partnership shall refund cash to the LOS Partner (whichever is appropriate) equal to the amount by which three-sevenths of the value of the Contributed Assets shown on the Contributed Asset Statement differs from the amount of cash the LOS Partner contributed to the Partnership at the Closing.

2.4 Assumption of Certain Obligations. Subject to the accuracy of the Designs Parties' representations and warranties set forth in the first two sentences of Section 4.8 of this Agreement and except as set forth in Subsection 2.1(d) of this Agreement, at the Closing the Partnership is assuming Designs' obligations under the Contracts, as those obligations were delegated to the Designs Partner just before the Closing, to the extent (but only to the extent) that those obligations accrue

after the Closing.

2.5 Gift Certificates and Credits. Before the Closing, Designs issued gift certificates and merchandise credits that are redeemable at the Original Stores. A number of those certificates and credits are still outstanding. The Partnership shall honor those certificates and credits after the Closing. The Partnership shall periodically submit copies of those gift certificates and merchandise credits redeemed after the Closing to Designs or, instead, a statement listing the serial numbers and face amounts of those redeemed certificates and credits. Within ten days after each such submission, Designs shall pay the Partnership an amount equal to the total face amount of the redeemed certificates and credits that were the subject of that submission.

2.6 No Other Assumptions. The Partnership shall not assume any obligations or liabilities of any Designs Party, except as is expressly provided in Sections 2.4 and 2.5 of this Agreement. For example, the Designs Parties shall retain and discharge all obligations and liabilities associated with their employees, including all of their employees who are hired by the Partnership, for the period they were or are employed by any Designs Party, including, without limitation, any and all obligations and liabilities for severance and vacation and sick benefits.

2.7 Prorations. In order to implement this Article 2, the Designs Partner and the Partnership shall prorate, as between them, all expenses associated with the Contributed Assets and the operation of the Original Stores. They shall do that as of the opening of business on the Closing Date. Examples are utilities, rent (including, for example, common area maintenance charges), insurance premiums (unless and to the extent the Partnership displaces existing coverage with other coverage), HVAC maintenance charges and security service charges. The prorations shall be based on the number of days elapsed during the relevant period that includes the Closing Date, unless such proration would be manifestly unfair. An example of such "unfairness" would be a waterpipe break at an Original Store, two days after the Closing Date, that results in charges for one million gallons of water on the water bill for that Original Store for the period that includes the Closing Date. Under that circumstance, the Partnership would pay those incremental charges.

2.8 LOS Support for Leases. As a condition to their consenting to Designs' assigning the Leases to the Partnership, the landlords under the Leases required that Designs remain obligated under the Leases. Because that "100 percent" credit support by Designs would be unfair to Designs in light of the fact that Designs will have a 70 percent, rather than a 100 percent, equity interest in the Partnership, an LOS Party shall reimburse Designs for 30 percent of the total amount, if any, that Designs is required to pay under any of the Leases respecting the premises covered by the Leases after the Closing.

2.9 Sales Taxes. The Designs Partner shall pay 70 percent and the LOS Partner shall pay 30 percent of any sales or lease transfer taxes resulting from the contribution of the Contributed Assets by the Designs Partner to the Partnership.

2.10 Further Assurances. After the Closing, the Parties shall sign and deliver all documents and take all other actions reasonably requested by any Party (but subject to approval by counsel to the Party being asked to act, who shall not withhold that approval unreasonably), in order to memorialize or better effectuate the contribution of the Contributed Assets to the Partnership and the Partnership's assumption of the obligations required by Section 2.4. If the Parties complete the Closing even though they have not obtained one or more third party consents required in order effectively to assign any Leases or Contracts to the Partnership, the Parties shall exercise their best efforts to obtain those consents promptly after the Closing and, in the meantime, shall cooperate in order to do what they can to enable the Partnership to realize the benefits of those

Contracts and Leases and assume their burdens.

ARTICLE 3
REPRESENTATIONS BY THE LOS PARTIES

Each of the LOS Parties jointly and severally represents to each of the Designs Parties that, except as shown on Schedule 3, as of the Closing:

3.1 Organization and Authority. Each LOS Party is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each LOS Party has all requisite power and authority to own, lease and operate its properties, to carry on its present business (if any) and to enter into and perform each of the Transaction Documents it is signing. The signing, delivery and performance by each LOS Party of each such Transaction Document have been duly and validly authorized by all necessary corporate action on the part of that LOS Party. Each Transaction Document constitutes a valid and binding obligation of each LOS Party that is signing that Transaction Document and is enforceable against that LOS Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance of the Transaction Documents by any or all of the LOS Parties will not, as to any of them: (a) violate or conflict with any provision of its Certificate of Incorporation or Bylaws, (b) violate, conflict with, result in a breach or termination of, or result in the loss of any benefit under, any contract or other instrument to which that LOS Party is a party or by which any of its assets is bound, (c) result in the creation of any Lien on any assets of that LOS Party other than the restrictions imposed by the Transaction Documents, (d) violate any judgment, order, injunction, decree or award that binds any LOS Party or any of its assets or (e) constitute a violation of law.

3.2 Consents and Approvals. Schedule 3.2 to this Agreement lists all consents and approvals of, and filings and registrations with, all Persons required in order for each LOS Party to sign, deliver and perform the Transaction Documents it is signing. An example is consents from LS&CO.'s lenders. Each LOS Party has obtained all of those consents and approvals and made all of those filings and registrations.

3.3 Litigation and Claims. Subject to Schedule 3.3, there is no suit, action, investigation or other proceeding pending or, to the best knowledge of any LOS Party, threatened against any LOS Party relating to the Partnership or any of the transactions contemplated by any Transaction Document.

3.4 Stock Ownership. LSAI owns all the issued and outstanding capital stock of LS&CO. LS&CO. owns all the issued and outstanding capital stock of LOS Inc. LOS Inc. owns all the issued and outstanding capital stock of the LOS Partner. There are no puts, calls, warrants or other rights to acquire or dispose of any capital stock of LS&CO., LOS Inc. or the LOS Partner or any commitments to grant or issue any such rights, whether with respect to capital stock that is now outstanding or capital stock that has not yet been issued. None of the issued and outstanding capital stock of LS&CO., LOS Inc. or the LOS Partner is subject to any Lien.

3.5 No Restrictions on Partnership. Subject to Schedule 3.5, no provision of any loan or other agreement that binds any LOS Party restricts or purports to restrict any activity of the Partnership.

3.6 Sole Purpose Status. The LOS Partner's sole activities are to hold its Partnership Interest and to exercise its rights and perform its obligations under the Transaction Documents. Its sole assets are its Partnership Interest, its rights under the Transaction Documents, cash and cash equivalents. Its sole obligations and liabilities are those arising under the Transaction Documents and liabilities for expenses incident to

its permitted activities under the Transaction Documents.

3.7 Brokers and Finders. Except as shown on Schedule 3.7, no broker, finder or other Person acting on behalf of any LOS Party is or will be entitled to any commission, fee or reimbursement in connection with any of the transactions contemplated by the Transaction Document, it being understood that LS&CO. or another LOS Party shall pay the fee of Morgan Stanley & Co. Incorporated. Neither of the Designs Parties or the Partnership shall have any liability for that firm's fee.

ARTICLE 4 REPRESENTATIONS BY THE DESIGNS PARTIES

Each of the Designs Parties jointly and severally represents to each of the LOS Parties that, except as shown on Schedule 4, as of the Closing:

4.1 Organization and Authority. Each Designs Party is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each Designs Party has all requisite power and authority to own, lease and operate its properties, to carry on its present business (if any) and to enter into and perform each of the Transaction Documents it is signing. The signing, delivery and performance by each Designs Party of each such Transaction Document have been duly and validly authorized by all necessary corporate action on the part of that Designs Party. Each Transaction Document constitutes a valid and binding obligation of each Designs Party that is signing that Transaction Document and is enforceable against that Designs Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance of the Transaction Documents by either or both of the Designs Parties will not, as to either of them: (a) violate or conflict with any provision of its Certificate of Incorporation or Bylaws, (b) violate, conflict with, result in a breach or termination of, or result in the loss of any benefit under, any contract or other instrument to which that Designs Party is a party or by which it or any of its assets is bound, (c) result in the creation of any Lien on any assets of that Designs Party other than the restrictions imposed by the Transaction Documents, (d) violate any judgment, order, injunction, decree or award that binds that Designs Party or any of its assets or (e) constitute a violation of law. Designs is duly qualified to conduct business and is in good standing in the State of New York, the Commonwealth of Massachusetts and the District of Columbia.

4.2 Consents, Permits and Approvals. Schedule 4.2 to this Agreement lists all consents, permits and approvals of, and filings and registrations with, all Persons required in order for each Designs Party to sign, deliver and perform the Transaction Documents it is signing and to enable the Partnership to continue to conduct, at each Original Store after the Closing, the business that Designs conducted at that Original Store before the Closing. Examples are consents from landlords under Leases, consents from Designs' lenders, and transferred or reissued operating permits. Each Designs Party has obtained all of those consents, permits and approvals and made all of those filings and registrations.

4.3 Litigation and Claims. There is no suit, action, investigation or other proceeding pending or, to the best knowledge of any Designs Party, threatened against any Designs Party relating to the Partnership, any of the transactions contemplated by any Transaction Document, any of the Contributed Assets (whether a Contract or another asset), any Original Store or any aspect of the business conducted at any Original Store. Nor is there any outstanding judgment, order, injunction, decree or award that binds any Designs Party with respect to, or otherwise affects, any of the Contributed Assets (whether a Contract or another asset), any Original Store or any aspect of the business conducted at any Original Store.

4.4 Stock Ownership. Designs owns all the issued and outstanding capital stock of the Designs Partner. There are no puts, calls, warrants or other rights to acquire or dispose of any capital stock of the Designs Partner or any commitments to grant or issue any such rights, whether with respect to capital stock that is now outstanding or capital stock that has not yet been issued. None of the issued and outstanding capital stock of the Designs Partner is subject to any Lien.

4.5 No Restriction on Partnership. No provision of any loan or other agreement that binds any Designs Party restricts or purports to restrict any activity of the Partnership.

4.6 Compliance with Laws. Before the Closing, Designs was conducting the business of the Original Stores in substantial compliance with all laws applicable to Designs or that business including, for example, all laws relating to employees, the environment, consumer protection and land use.

4.7 Title and Condition. At the Closing, the Designs Partner is conveying to the Partnership good title in and to all the Contributed Assets free and clear of all Liens. Immediately after the Closing, the Partnership will have good title to all the Contributed Assets free and clear of all Liens, except the restrictions imposed by the Partnership Agreement. To the best knowledge of the Designs Parties (it being understood that construction is underway at the premises covered by up to three of the Leases and that the premises covered by all three of those Leases are not yet ready for occupancy): (i) there are no material defects in the premises covered by any of the Leases or the real estate on which any of those premises are located; (ii) the utilities and other systems that serve those premises and that real estate are in normal working order and condition, ordinary wear and tear excepted and (iii) all the material fixtures, equipment and furniture that are included among the Contributed Assets, as well as all the material fixtures, equipment and furniture leased or otherwise used at any Original Store, are in normal working order and condition, ordinary wear and tear excepted.

4.8 Contracts. The Contracts identified on Schedule 2.1 are all the Contracts relating to any Original Store or the business conducted at any Original Store. The Designs Parties have given the LOS Partner correct and complete copies of all the Contracts, including copies of all written amendments to all Contracts and all material written waivers of rights under all Contracts. All the Contracts are legal, valid and binding obligations of Designs and have been properly assigned to the Designs Partner with the consent of all other parties required to consent to the assignment. To the knowledge of the Designs Parties, all the Contracts are also legal, valid and binding obligations of all the other parties to the Contracts. No Designs Party and, to the knowledge of the Designs Parties, no other party to any Contract is in material default under any Contract. To the knowledge of the Designs Parties, no Designs Party and no other such party has repudiated or purported to repudiate any Contract. No party to any Contract is an Affiliate, director or officer of Designs or a director or officer of the Designs Partner.

4.9 Financial Statements. Schedule 4.9 contains an income statement and a balance sheet for the Original Stores for the periods and as of the dates indicated on Schedule 4.9. That income statement and balance sheet were prepared in accordance with generally accepted accounting principles except to the extent indicated on Schedule 4.9.

4.10 Employees. No Designs Party is party to any collective bargaining agreement that covers any of the employees who presently work at, or at any time during the 12 months before the Closing worked at, any of the Original Stores (in either case, "Covered Employees"). To the Designs Parties' best knowledge, no union or other labor organization is attempting or has attempted to organize any of the Covered Employees. Except

as shown on Schedule 4.10, no Designs Party maintains or contributes to, nor has maintained or contributed to, any "employee pension benefit plan" (including any "multiemployer plan") or any "employee welfare benefit plan" (in each such case within the meaning of the Employee Retirement Income Security Act of 1974, as amended, or any rule or regulation adopted under that act) in which any Covered Employees participate or have participated.

4.11 Brokers and Finders. Except for Financo, no broker, finder or other Person acting on behalf of any Designs Party is or will be entitled to any commission, fee or reimbursement in connection with any of the transactions contemplated by the Transaction Documents, it being understood that Designs or the Designs Partner shall pay the fee of Financo. Neither any LOS Party nor the Partnership shall have any liability for that firm's fee.

ARTICLE 5 PRODUCT SUPPLY

5.1 By LS&CO. During the entire term of the Partnership: (a) LS&CO. shall sell jeans and jeans-related products to the Partnership for sale at the Partnership's OLSs (except for products furnished only by LS&CO. licensees) and (b) the Partnership shall buy all such products from LS&CO. The Partnership shall be a "Tier 0" (or its equivalent) account of LS&CO. As such, product purchases shall be governed by the terms and conditions applicable to, and be accompanied by the services that LS&CO. makes available from time to time to, other accounts of that same tier and account segment including, for example, those relating to priority allocation and shipment, product floor readiness, and logo and trademark usage. The Partnership shall place orders for Levi's(R) branded products through an account representative at LOS Inc. LOS Inc. shall be the Partnership's exclusive agent for such purchases, but shall not be entitled to any sales commission or other compensation from the Partnership for those agency activities. The Partnership shall be subject to the same distribution policies that apply to LS&CO.'s other accounts including, for example, those relating to wholesaling, diversion and retail accumulation.

5.2 By Licensees. In order to achieve consistency with OLS image criteria, the LOS Partner shall provide merchandise assistance to the Partnership regarding products supplied by LS&CO. licensees. During the entire term of the Partnership, the Partnership shall purchase those products directly from the licensees. The LOS Partner shall not be entitled to any sales commission or other compensation for those services. Neither the LOS Partner nor any Affiliate of the LOS Partner shall be required to guaranty or shall otherwise be considered responsible for the conduct or performance of any of LS&CO.'s licensees.

ARTICLE 6 INTELLECTUAL PROPERTY

The Partnership will use certain intellectual property that belongs to one or the other Partner. Accordingly, at the Closing, the LOS Partner is sublicensing intellectual property to the Partnership under the LOS Sublicense Agreement and the Designs Partner is licensing intellectual property to the Partnership under the Designs License Agreement. Neither LOS Inc. nor the LOS Partner shall terminate the LOS Sublicense Agreement, other than in accordance with its original terms, without the consent of the Designs Partner. Neither Designs nor the Designs Partner shall terminate the Designs License Agreement, other than in accordance with its original terms, without the consent of the LOS Partner.

ARTICLE 7 OWNERSHIP AND ACTIVITIES

This Article 7 contains certain promises. The Parties required to perform those promises shall do so beginning on the Closing Date. A Partner and the other Parties that are

Affiliates of that Partner shall continue to perform those promises until neither that Partner nor any of its Affiliates is a partner of the Partnership or a partner of a partnership reconstituted in accordance with Section 18.4 of the Partnership Agreement.

7.1 Ownership of LOS Inc. and the LOS Partner. Subject to their right to Transfer that stock under Section 12.4 of the Partnership Agreement, LS&CO. shall continue to own 100 percent of the capital stock of LOS Inc. and LOS Inc. shall continue to own 100 percent of the capital stock of the LOS Partner. LS&CO. and LOS Inc. shall hold that stock free and clear of all Liens.

7.2 Ownership of the Designs Partner. Subject to its right to Transfer that stock under Section 12.4 and Article 13 of the Partnership Agreement, Designs shall continue to own 100 percent of the capital stock of the Designs Partner. Designs shall hold that stock free and clear of all Liens.

7.3 Sole Purpose of the LOS Partner. The LOS Partner's sole assets shall be its Partnership Interest, its rights under the Transaction Documents, cash and cash equivalents. The LOS Partner's sole obligations and liabilities shall be those arising under the Transaction Documents and liabilities for expenses incident to its permitted activities. The LOS Partner's sole activities shall be to hold its Partnership Interest and to exercise its rights and perform its obligations under the Transaction Documents. However, nothing in this Section 7.3 shall prohibit the LOS Partner from owning and operating any Stores which the LOS Partner purchases in accordance with the Partnership Agreement.

7.4 Sole Purpose of the Designs Partner. The Designs Partner's sole assets shall be its Partnership Interest, its rights under the Transaction Documents, cash and cash equivalents. The Designs Partner's sole obligations and liabilities shall be those arising under the Transaction Documents and liabilities for expenses incident to its permitted activities. The Designs Partner's sole activities shall be to hold its Partnership Interest and to exercise its rights and perform its obligations under the Transaction Documents. However, nothing in this Section 7.4 shall prohibit the Designs Partner from owning and operating any stores which had been Stores and which the Designs Partner purchases and operates in accordance with the Partnership Agreement, including its Section 18.6.

7.5 No Future Restrictions. No Party shall enter into any loan or other agreement or arrangement that imposes any restrictions or prohibitions on the Partnership or any activity of the Partnership.

7.6 Same Rules for Affiliates. Section 12.4 of the Partnership Agreement permits certain Affiliates of the Partners to acquire or hold Partnership Interests under the circumstances explained in that Section. If and after a Partner's Affiliate so acquires or holds any Partnership Interest, all the rules in this Article 7 that apply to that Partner and to LS&CO. and LOS Inc. or Designs (whichever is appropriate) with respect to that Partner shall then apply to that Affiliate and to LS&CO. or Designs (whichever is appropriate) and every other entity in the intervening chain of ownership (that is, entities "between" LS&CO. and Designs, on one hand, and that Affiliate, on the other hand).

ARTICLE 8 PROMISES IN THE PARTNERSHIP AGREEMENT

The Partnership Agreement requires that LSAI, LS&CO., LOS Inc. and Designs take certain actions and refrain from taking certain actions. However, LSAI, LS&CO., LOS Inc. and Designs are not parties to the Partnership Agreement. Instead, they are agreeing to take those actions and refrain from taking those actions by means of this Article 8. Accordingly: (a) LS&CO. and LOS Inc. shall perform the obligations attributed to them in

Articles 10 through 18 of the Partnership Agreement, (b) LSAI shall perform the obligations attributed to it in Article 10 of the Partnership Agreement and (c) LSAI shall cause all the Affiliates of LSAI that are not Parties to perform the obligations attributed to them in Articles 10 through 18 of the Partnership Agreement. The LOS Parties shall have joint and several liability for any failure by any of them or any of their Affiliates to perform any of those obligations. In addition: (d) Designs and the Designs Partner shall perform the obligations attributed to them in Articles 10 through 18 of the Partnership Agreement and (e) Designs shall cause all the Affiliates of Designs that are not Parties to perform the obligations attributed to them in Articles 10 through 18 of the Partnership Agreement. The Designs Parties shall have joint and several liability for any failure by either of them or any of their Affiliates to perform any of those obligations. Notwithstanding the foregoing, the Designs Parties and all of their respective Affiliates shall be entitled to the benefits of, but be subject to, Section 16.6 of the Partnership Agreement. LSAI, LS&CO., LOS Inc. and Designs shall each be entitled to enforce Articles 10 through 18 of the Partnership Agreement as express third party beneficiaries of those Articles.

ARTICLE 9
EMPLOYEES

At the Closing, Designs shall make available to the Partnership, for hiring by the Partnership, all the employees who work at the Original Stores except for the employees identified on Schedule 9.

ARTICLE 10
CUSTOM FIT PROGRAM

LS&CO. and certain of its Affiliates are in the process of making available to certain accounts a program that will enable those accounts to provide consumers with custom-fitted Levi's(R) jeans bottoms. The program is currently being tested in several Original Stores. LS&CO. expects to "roll" that program out to accounts during 1995 and in future years. Consistent with the scheduling for that rollout, LS&CO. shall make this custom fit program available to the Partnership on terms and conditions similar to the terms and conditions that LS&CO. makes the program available to other accounts.

ARTICLE 11
INDEMNIFICATION

11.1 By the LOS Parties. Each of the LOS Parties shall indemnify the Partnership and each of the Designs Parties and hold the Partnership and each of Designs Parties harmless from and against any and all Damages arising from any breach of any covenant, representation or warranty of any LOS Party set forth in this Agreement. All decisions by the Partnership regarding such indemnification shall be made on behalf of the Partnership by the Designs Partner.

11.2 By the Designs Parties. Each of the Designs Parties shall indemnify the Partnership and each of the LOS Parties and hold the Partnership and each of LOS Parties harmless from and against any and all Damages arising from any breach of any covenant, representation or warranty of any Designs Party set forth in this Agreement and from all obligations and liabilities of any Designs Party that were not expressly assumed by the Partnership under Section 2.4 or 2.5 of this Agreement. All decisions by the Partnership regarding such indemnification shall be made on behalf of the Partnership by the LOS Partner.

11.3 Limitations on Indemnification.

The Parties' indemnification obligations set forth in this Article 11, together with their liability for any breach of any representation or warranty set forth in this Participation Agreement or any "non-contract" remedy arising from their capitalization of the Partnership (such as negligent

misrepresentation), shall be limited in amount as follows:

(a) The total amount for which the LOS Parties, as a group, shall be liable shall not exceed the amount contributed by the LOS Partner to the Partnership under Section 2.3 of this Agreement (as that amount may be adjusted under that Section).

(b) The total amount for which the Designs Parties, as a group, shall be liable shall not exceed the total value of the Contributed Assets (as reflected on the Contributed Asset Statement).

11.4 Survival. The representations, warranties and indemnities set forth in this Agreement shall survive the Closing for two years. Accordingly, in order to be entitled to indemnification for a breach of a representation or warranty set forth in this Agreement, an indemnitee must give a written notice to the indemnitor no later than the second anniversary of the Closing. The notice must describe the basis for the indemnification claim and the amount sought.

11.5 Indemnification Rules. Indemnification under this Article 11 shall be further governed by the rules set forth in Schedule 11.5 to this Agreement.

11.6 No Punitive Damages. To the full extent permitted by law, each of the Parties hereby waives any right it might otherwise have, at any time, to recover punitive, exemplary or similar damages from any other Party for any breach of any of the Transaction Documents or otherwise in connection with any of the transactions or matters addressed in any of the Transaction Documents.

ARTICLE 12 CONFIDENTIALITY

The Parties anticipate that, by virtue of their relationships, from time to time each Party will gain access to trade secrets and other confidential and proprietary information of the Partnership and the other Parties (collectively "Confidential Information"). "Confidential Information" does not include information (a) if and after it becomes publicly known or otherwise enters the public domain through no wrongful act of the receiving Party, (b) if it was obtained from a third party and neither that third party nor any other Person in the "chain" through which that information passed breached an obligation of confidentiality to the Party that "owns" the Confidential Information, (c) which the receiving Party demonstrates it already knew when it received the information or (d) which the receiving Party demonstrates it developed independently and without use of any of the information. Without the prior written consent of the Party to whom the Confidential Information belongs, which shall be entitled to withhold its consent in its absolute discretion, both during and after the Partnership is terminated no Party shall disclose any Confidential Information to any non-Party or use any Confidential Information not belonging to it other than to further the Partnership Purposes or otherwise implement the Transaction Documents. Each Party shall communicate the contents of this Article 12 to all of its employees and agents who shall have access to any Confidential Information. This Article 12 shall not apply to any Confidential Information if and after it becomes generally available to the public for reasons other than a breach of this Article 12, because Confidential Information was required to be disclosed by law (including, for example, in a filing with a government agency), in financial statements or in disclosures to lenders and insurers and prospective lenders and insurers, or in connection with its use in resolving a bona fide dispute.

ARTICLE 13 DISPUTE RESOLUTION

Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of the Parties involved

including, if other efforts fail, a face-to-face meeting between a senior manager of each adverse Party. If any Controversy is not settled by such efforts within 30 days after one of the Parties requests such a meeting, any Party to the Controversy shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If a Designs Party initiates arbitration, the arbitration shall be conducted in whichever of Columbus, Ohio or San Francisco, California LOS chooses. If an LOS Party initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any arbitration proceeding, obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be the Parties' exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on all Parties. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, any Party to the arbitration may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief.

ARTICLE 14
MISCELLANEOUS

14.1 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of the Parties. However, the Parties shall not assign any of their rights or delegate any of their duties under this Agreement except as expressly provided in this Agreement or another Transaction Document. Any purported assignment or delegation in violation of this Agreement or another Transaction Document shall be void.

14.2 Amendments. All amendments to this Agreement must be in writing and be signed by all Partners. By written instrument, the Designs Partner may waive compliance by any LOS Party of any provision of this Agreement that benefits either Designs Party. The LOS Partner may do likewise with respect to any provision of this Agreement that benefits any LOS Party.

14.3 Notices. All notices under this Agreement shall be in writing and shall be deemed to have been duly given only if and when delivered by hand, by overnight delivery service or by telecopier, in all cases with receipt confirmed, to the appropriate addressees and the addresses or telecopier numbers set forth below, or to such other addressees, addresses or telecopier numbers as may be designated by notice given in accordance with this section:

If to a Designs Party:
Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: Chief Executive Officer
Facsimile: (617) 734-3406

with a copy to:

Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: General Counsel
Facsimile: (617) 734-3406

If to an LOS Party:

Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attention: President
Facsimile: (614) 228-5769

with a copy to:

Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, California 94111
Attention: General Counsel/LOS
Facsimile: (415) 544-7650

If to the Partnership:

The Designs/OLS Partnership
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: General Manager
Facsimile: (617) 734-3406

14.4 Partnership as Signatory. Promptly after the Partners sign the Partnership Agreement, they shall also sign this Agreement on behalf of the Partnership. The effect of their doing so shall be to cause the Partnership to be a Party to this Agreement (as that term is used in this Agreement), to confer on the Partnership the right to enforce this Agreement against any other Party and to confer on those other Parties the right to enforce this Agreement against the Partnership. Decisions regarding the exercise of the Partnership's rights shall be made in accordance with Section 5.11 of the Partnership Agreement.

14.5 Counterparts. This Agreement may be signed in one or more counterparts. Each counterpart shall be deemed an original of this Agreement.

14.6 No Third Party Beneficiaries. Only the Parties and their permitted assigns may enforce this Agreement or obtain any remedy for any breach of this Agreement. Accordingly, this Agreement shall have no third party beneficiaries.

14.7 Entire Agreement. This Agreement (including the Schedules to this Agreement) and the other Transaction Documents contain all the understandings between and among the Parties with respect to their subject matter. They supersede all prior and contemporaneous agreements and understandings between and among the Parties relating to that subject matter.

14.8 Expenses. Each Party shall pay its own expenses incurred in negotiating and drafting this Agreement and the other Transaction Documents and in effecting the Closing.

14.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of

Delaware applicable
to contracts entered into and to be performed
within Delaware by Delaware residents.

* * *

The Parties have signed and delivered this Agreement as of the date that appears in its first paragraph.

DESIGNS JV CORP.

By /s/ Joel Reichman
Joel Reichman,
President

DESIGNS, INC.

By /s/ Joel Reichman
Joel Reichman,
President

LDJV INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

LEVI'S ONLY STORES, INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

LEVI STRAUSS & CO.

By /s/ Robert D. Rockey, Jr.
Robert D. Rockey, Jr.,
Senior Vice President

LEVI STRAUSS ASSOCIATES INC.

By /s/ Robert D. Rockey, Jr.
Robert D. Rockey, Jr.,
Senior Vice President

The Partnership's signature below has the effects set forth in
Section 14.4 of this Agreement.

THE DESIGNS/OLS PARTNERSHIP

By Designs JV Corp., a Partner

By /s/ Joel Reichman
Joel Reichman,
President

By LDJV Inc., a Partner

By /s/ Edward T. Murphy
Edward T. Murphy,
President

PARTICIPATION AGREEMENT

among
DESIGNS JV CORP.
DESIGNS, INC.
LDJV INC.
LEVI'S ONLY STORES, INC.
LEVI STRAUSS & CO.
and
LEVI STRAUSS ASSOCIATES INC.

dated as of
January 28, 1995

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PARTNERSHIP AGREEMENT

THIS IS A PARTNERSHIP AGREEMENT (the "Agreement") dated as of January 28, 1995 by and between Designs JV Corp., a Delaware corporation (the "Designs Partner"), and LDJV Inc., a Delaware corporation (the "LOS Partner"). The Designs Partner and the LOS Partner are sometimes referred to individually as a "Partner" and collectively as the "Partners".

B A C K G R O U N D

The Partners desire to form a general partnership that will operate retail stores. Those stores will sell Levi's(R) branded adult jeans and jeans-related products. This Agreement, together with a Participation Agreement and other agreements referred to in that Participation Agreement, address how the partnership will operate and other matters relating to the partnership.

ACCORDINGLY, THE PARTNERS HEREBY AGREE AS FOLLOWS:

ARTICLE 1 DEFINITIONS

The capitalized terms used in this Agreement that are not defined in this Agreement have the meanings given them in the Glossary that the Partners signed as of the same date they signed this Agreement, as that Glossary may be amended from time to time.

ARTICLE 2 FORMATION, PURPOSE AND TERM

2.1 Formation. The Partners hereby form a general partnership (the "Partnership") under the Delaware UPA. The Partners intend that, to the fullest extent possible, in any and every respect in which this Agreement departs from the Delaware UPA or any other applicable law, the provisions of this Agreement will govern the Partnership and the Partners.

2.2 Name. The name of the Partnership shall be "The Designs/OLS Partnership".

2.3 Purposes. The purposes of the Partnership are to operate OLSs and Outlets located and to be located in the Territory, while at the same time maintaining and enhancing the image of the Levi's(R) brand and earning acceptable returns for the Partners. Those purposes are referred to in this Agreement as the "Partnership Purposes".

2.4 Powers. The Partnership shall have all the powers that may be exercised by a general partnership formed under the Delaware UPA. However, the Partnership shall exercise those powers only in order to pursue Partnership Purposes and to implement decisions reached by its Management Committee.

2.5 Manner of Conducting Business. The Partnership at all times shall conduct its business in accordance with the highest of ethical standards. To that end, through its Management Committee (see Article 5 of this Agreement), the Partnership shall adopt a mission statement and a code of ethics.

2.6 Principal Office. The initial principal office of the Partnership shall be located at 1244 Boylston Street, Chestnut Hill, Massachusetts 01267. As long as the Designs Partner is a partner of the Partnership, the principal office of the Partnership will be located at the principal office of Designs in the United States. If and after the Designs Partner ceases to be a partner of the Partnership, the principal office of the Partnership shall be located at a site selected by the Management Committee. See Section 5.9(k) of this Agreement.

2.7 Term. Except as provided elsewhere in this Agreement, the Partnership shall be dissolved on January 29, 2005 (the "Termination Date"). Neither Partner shall have any obligation to extend the Partnership's term beyond the Termination Date other than to the extent necessary to wind up the Partnership in accordance with the terms of this Agreement.

ARTICLE 3 INITIAL CAPITAL CONTRIBUTIONS

3.1 Initial Contribution by the Designs Partner. In accordance with the Participation Agreement, at the Closing, the Designs Partner is transferring to the Partnership (or causing to be transferred to the Partnership) all of Designs' and the Designs Partner's right, title and interest in and to the Contributed Assets.

3.2 Initial Contribution by the LOS Partner. In accordance with the Participation Agreement, at the Closing the LOS Partner is transferring \$5,400,000 in cash to the Partnership. That contribution shall be adjusted by means of an additional contribution by the LOS Partner to the Partnership or a refund by the Partnership to the LOS Partner if and to the extent required by Subsection 2.3(e) of the Participation Agreement.

3.3 Partnership Interests. In exchange for its equity contributions, each Partner shall receive an uncertificated equity interest in the Partnership (each a "Partnership Interest"). After the contributions described in Sections 3.1 and 3.2 of this Agreement, the Designs Partner shall have a 70 percent Partnership Interest and the LOS Partner shall have a 30 percent Partnership Interest. (The percentage interest that each Partnership Interest represents in the Partnership is called a "Percentage Interest".) The Partnership Interests shall represent interests in the Partnership as a legal entity, not an interest in any Partnership Assets as such.

3.4 Assumption of Commitments. At the Closing, the Partnership is assuming certain obligations of Designs in accordance with Sections 2.4 and 2.5 of the Participation Agreement. As explained in Section 2.6 of the Participation Agreement, the Partnership is not assuming any other obligations or liabilities.

ARTICLE 4 FUTURE CAPITAL SOURCES

4.1 In General. Generally speaking, the Partners intend that the Partnership's working capital and funds for its future expansion will come from Partnership operations and Partnership borrowings from third parties. The Partners may also decide that they or their Affiliates should contribute or loan additional funds to the Partnership or guaranty third-party debt. However, any and all uses of outside funds or credit support (whether from a Partner, an Affiliate of a Partner or another Person) must be approved in accordance with this Agreement.

4.2 Guaranties and Other Contributions and Borrowings. Neither Partner and no Affiliate of either Partner shall be required to make any loan to the Partnership, to guaranty any Debt or obligations of the Partnership or to make any capital contribution to the Partnership (except as required by Article 3 of this Agreement or Section 2.8 of the Participation Agreement), unless both Partners agree to the contribution, guaranty or loan, including all its terms and conditions. In addition, except as

permitted by Section 4.3, neither Partner and no Affiliate of either Partner shall be permitted to make any loan to the Partnership, unless both Partners agree to that loan, including all its terms and conditions. Assent by a Partner to a Business Plan, whether by means of this Agreement or that Partner's representatives on the Management Committee, shall not constitute an undertaking by that Partner to make a capital contribution or extend a guaranty or loan to or on behalf of the Partnership unless the Business Plan, as so approved, expressly states otherwise.

4.3 Consequences of Failure to Fund. If and after a Partner becomes obligated to make a capital contribution or to loan funds to the Partnership, then, if that Partner (a "Defaulting Partner") fails to advance any of the committed funds when required, the other Partner (the "Non-Defaulting Partner") shall be entitled to advance all, some or none of those funds and also all, some or none of the funds, if any, that the Non-Defaulting Partner had committed to advance. (Any and all such loans, including any and all loans representing funds that the Non-Defaulting Partner had committed to advance if, in fact, it advances them, are referred to as "Cure Loans".) The Non-Defaulting Partner must extend a Cure Loan, if at all, no later than 75 days after the Defaulting Partner was required to advance funds. Subject to the terms imposed by any then-existing Debt of the Partnership (other than the terms of any such Debt to the Defaulting Partner or any Affiliate of the Defaulting Partner), Cure Loans shall be senior obligations of the Partnership and shall be secured by all the Partnership Assets. Cure Loans shall bear interest at a rate equal to 300 basis points in excess of the interest rate that would have applied to the loan that the Defaulting Partner was required to fund (if the default related to a loan commitment) or 500 basis points in excess of the Base Rate (if the default related to a capital commitment). Interest on Cure Loans shall be paid quarterly and all principal shall be paid 18 months after the Cure Loan is extended. All Cure Loans, whether or not payable to the same Partner, shall be pari passu (that is, on an equal footing) with all other Cure Loans. Cure Loans shall be recourse both to the Partnership and, severally in accordance with their respective Percentage Interests, to the Partners. A Partner shall not be entitled to any distribution from the Partnership (including, for example, a distribution under Section 14.4 of this Agreement), unless and until all Cure Loans arising from that Partner's failure to advance funds to the Partnership which that Partner was required to advance have been paid in full. However, a Partner's failure to advance funds to the Partnership which that Partner was required to advance or a Partner's failure to discharge its recourse obligations respecting a Cure Loan shall not be deemed a Material Breach. Each Partner hereby grants an irrevocable power of attorney to the other Partner to act on behalf of the granting Partner, if and after the granting Partner becomes a Defaulting Partner, in order to sign and deliver all documents and take all other actions that the Non-Defaulting Partner reasonably concludes are necessary or useful in order to implement this Section 4.3. That power of attorney also authorizes the Non-Defaulting Partner to sign documents and take other actions on behalf of the Partnership for that same purpose.

ARTICLE 5 MANAGEMENT

5.1 In General. The Partners believe that the Partnership is most effectively managed through the active participation of both Partners. The Partners intend to accomplish that in four principal ways. First, they will appoint representatives to a Management Committee (the "Management Committee"). The Management Committee will be a forum for policy formation and have overall responsibility for management and control of the business and affairs of the Partnership. Second, the Partners and the Management Committee will select a General Manager for the Partnership and work with that General Manager. Third, they will participate directly in their areas of special expertise (operations for the Designs Partner and marketing and merchandising for the LOS Partner). Finally, the Management

Committee will consider and approve an annual Business Plan for the Partnership. This Article 5 and Articles 6 and 7 elaborate these principles.

5.2 Membership. The Management Committee shall have six members. The Designs Partner shall appoint four of those members and the LOS Partner shall appoint the other two members. The Partners' initial appointments to the Management Committee are set forth on Schedule 5.2 to this Agreement. Any member of the Management Committee may resign from the Management Committee at any time by giving written notice to both Partners and the Partnership. Either Partner at any time may replace any one or more of its representatives on the Management Committee or fill any vacancies created by the removal, resignation or other departure of one or more of its representatives by giving written notice to the Partnership and the other Partner. However, a Partner may not take any such action with respect to the other Partner's representatives on the Management Committee or any vacancy on the Management Committee reserved for the other Partner's representative. Moreover, the Management Committee may not take any such action with respect to any of its members or any vacancies on the Management Committee.

5.3 Chair. One member of the Management Committee shall serve as its Chair. The Designs Partner shall select the initial Chair, who shall serve until the end of the 1996 Fiscal Year. The LOS Partner shall select the next Chair, who shall serve during the 1997 Fiscal Year. Thereafter, the Designs Partner and the LOS Partner shall take turns appointing the Chair for each successive Fiscal Year (the Designs Partner for the 1998 Fiscal Year, the LOS Partner for the 1999 Fiscal Year, etc.).

5.4 Quorum. A quorum for the conduct of business by the Management Committee shall consist of two members of the Management Committee appointed by the Designs Partner and one member appointed by the LOS Partner. A quorum must be present when the Management Committee votes on a matter in order for that vote to be effective. However, members constituting less than a quorum may adjourn a meeting of the Management Committee at any time.

5.5 Voting. Each member of the Management Committee shall be entitled to one vote. In order to be approved, Major Actions (see Section 5.9 of this Agreement) must be approved by the affirmative vote of a majority of the members appointed by the Designs Partner who participate in the meeting and by the affirmative vote of a majority of the members appointed by the LOS Partner who participate in the meeting. For example, in order for a Major Action to be approved at a meeting attended by three representatives of the Designs Partner and two representatives of the LOS Partner, at least two of those representatives of the Designs Partner and both representatives of the LOS Partner must vote for that action. All decisions by the Management Committee not constituting Major Actions must be approved by the affirmative vote of a majority of all the members who participate in the meeting. In lieu of a meeting, the Management Committee may take any action by means of a written consent signed by that number of members (including that number of representatives of each Partner) necessary to vote in favor of an action in order for that action to be approved at a meeting of the Management Committee.

5.6 Meetings. The Management Committee shall meet at least six times during each Fiscal Year or, after the 1996 Fiscal Year, as often as may otherwise be determined by the Management Committee but in no event less than four times during each Fiscal Year. The Management Committee shall also hold a special meeting at the request of either Partner at any time, albeit subject to the notice requirements of Section 5.7. Unless both Partners agree otherwise, as long as the Management Committee is meeting at least six times during each Fiscal Year, at least four meetings shall be held at the Partnership's headquarters and at least two meetings shall be held at a location selected by the LOS Partner. However, any member may participate in any meeting by telephone, video conference or other electronic medium,

provided that all members who participate in the meeting can hear all other members who participate in the meeting.

5.7 Notices. Meetings of the Management Committee, whether regular or special, shall be held on at least ten days' written notice to all members of the Management Committee. Any member may waive notice of a meeting, in writing, either before or after a meeting. In addition, if a member participates in a meeting and does not protest the lack of proper notice at the beginning of the meeting, that member's participation shall constitute a waiver of notice for that meeting.

5.8 Subcommittees. In accordance with Section 5.9, the Management Committee from time to time may delegate any and all of its powers and functions to one or more committees. If and when it appoints a committee, the Management Committee shall specify the procedures and decisionmaking rules (that is, rules regarding the sorts of matters addressed in Sections 5.3 through 5.7 of this Agreement) that shall govern the committee's deliberations. In accordance with Section 5.9, the Management Committee may at any time cause any powers or functions to be withdrawn from a committee or cause any committee to be disbanded, and may also modify any procedures or decisionmaking rules under which an existing committee operates.

5.9 Major Actions. This Section 5.9 contains a list of matters, actions and decisions (collectively "Major Actions") which require a special vote of the Management Committee unless they are already required by this Agreement. (An example of an action "required by this Agreement" is a sale of one or more OLSs in accordance with Article 14 of this Agreement.) In the absence of such a vote or provision in this Agreement, neither the Partnership nor any Person purporting to act on behalf of the Partnership shall:

(a) incur any Debt in excess of \$50,000 or materially modify the terms of any existing Debt involving more than that amount;

(b) make any loans or advances or grant any financial guaranties except (i) in connection with normal credit arrangements with vendors, (ii) investments in the ordinary course of business such as demand deposits, certificates of deposits and bank repurchase agreements and (iii) endorsements for collection;

(c) sell or lease to others any Partnership Asset or group of related Partnership Assets (except for sales of inventory in the ordinary course of business), if the depreciated book value of such asset or assets exceeds \$100,000;

(d) purchase or lease from others any asset or group of related assets (except for purchases of inventory in the ordinary course of business), if the purchase price or total lease payments for such assets or group of assets are likely to exceed \$100,000;

(e) approve a Business Plan (the subject of Business Plans is addressed in Article 7 of this Agreement);

(f) enter into, amend or terminate any agreement or arrangement, not otherwise described in a Business Plan, which is likely to require total payments by or to the Partnership in excess of \$100,000;

(g) incur operating expenses during any Fiscal Year that, together with the other operating expenses incurred during that Fiscal Year, exceed by more than 10 percent the total operating expenses specified in the Business Plan that was approved for that Fiscal Year;

(h) make any capital expenditure that exceeds, by the lesser of 10 percent or \$20,000 (prorated for the Partnership's "short" first Fiscal Year), any capital expenditure line item in any Business Plan approved for that Fiscal Year, but excluding

unbudgeted capital expenditures during any Fiscal Year not exceeding \$20,000 in total (again, prorated for that first Fiscal Year);

(i) establish or disband a committee of the Management Committee or prescribe or modify the membership, powers, functions, procedures or decisionmaking rules of any such committee;

(j) change or adopt any material accounting principles or practices;

(k) select the location of the principal office of the Partnership if and after the Designs Partner ceases to be a partner of the Partnership;

(l) dismiss a Consultant or select a new Consultant for any of the Stores;

(m) make or revoke any tax election or adopt or change any Tax Accounting Method;

(n) change the Partnership Purposes;

(o) sell, license, sublicense or otherwise transfer any interest in any material intellectual property to which the Partnership has rights;

(p) approve: (i) the appointment, reappointment or removal of the GM (see Section 6.2 of this Agreement) or (ii) any employment agreement with the GM or with any other senior manager of the Partnership;

(q) distribute cash or any other Partnership Assets to one or both of the Partners (other than as required by Section 9.3 or another provision of this Agreement) or fail to make a distribution that is required by this Agreement or was previously approved in accordance with this Subsection 5.9(q) (except that this Subsection 5.9(q) shall not apply to payments to a Partner in its capacity as a creditor of the Partnership);

(r) locate, construct, purchase, lease or close any Store in the Territory;

(s) issue any additional equity interests in the Partnership, whether to a Partner or any other Person, require that any Partner or other Person make any equity contribution to the Partnership or permit any Partner or other Person to make such a contribution;

(t) except as a result of a Transfer permitted by this Agreement, admit a new partner to the Partnership;

(u) institute, settle or compromise any lawsuit or other claim (or group of related lawsuits or claims) against or by the Partnership or affecting any Partnership Assets, or select counsel for any such lawsuit, claim or group of lawsuits or claims (except that this Subsection 5.9(u) shall not apply to any dispute or claim between the Partners or between a Partner and the Partnership);

(v) adopt or modify any material marketing or merchandising strategy regarding product mix, trade dress, advertising or gross margin objectives; or

(w) commit to proceed with any of the actions or matters described in this Section 5.9.

If the voting rule set forth in Section 5.5 of this Agreement results in a deadlock regarding any Major Action, either Partner may refer the deadlocked matter to non-binding mediation. The mediator shall be selected by (or in any manner prescribed by) the Partner that first seeks mediation. In trying to persuade the Partners that they should reach agreement on the deadlocked matter, the mediator shall give primary consideration to the

furtherance of the Partnership Purposes. Notwithstanding the foregoing, a proposal to expand the Partnership beyond the Stores contemplated by the Partnership's 1996 Business Plan shall not be submitted to mediation.

5.10 Matters for Management Committee. The Management Committee shall prescribe, from time to time, what matters, actions and decisions must be brought to the Management Committee for approval, as contrasted with those matters, actions and decisions that may be taken or resolved by the Partnership's management without specific approval by the Management Committee. However, all Major Actions shall be brought to the Management Committee for approval and may only be approved in accordance with Section 5.5.

5.11 Special Rules for Insider Transactions.

(a) In order to encourage arm's-length decision-making and irrespective of anything to the contrary set forth in this or any other Transaction Document, every decision (other than day-to-day operating decisions) regarding any agreement or arrangement between, on one hand, the Partnership and, on the other hand, a Partner or an Affiliate of a Partner may be made on behalf of the Partnership by the Partner that is neither the party nor an Affiliate of the party to that agreement or arrangement if that "disinterested" Partner chooses to make that decision. Examples include decisions to enter into, modify or terminate any such agreement or arrangement, waive any material rights under any such agreement or arrangement, and arbitrate, litigate or otherwise act in connection with any Controversy respecting any such agreement or arrangement. Accordingly, the Designs Partner, alone, will be entitled to negotiate and make decisions on behalf of the Partnership about any modification to the LOS Sublicense Agreement. Likewise, the LOS Partner, alone, will be entitled to negotiate and make decisions on behalf of the Partnership about any modification to the Designs License Agreement.

(b) Notwithstanding Subsection 5.11(a), but subject to LS&CO.'s normal policies and procedures respecting resales of products, the GM shall make or oversee decisions on behalf of the Partnership regarding resales of closeout, slow-moving and irregular products. The GM shall direct those products to the Partnership's Outlets whenever practical. If product available from the Partnership's OLSs is insufficient to meet the Partnership's Outlets' needs, the GM shall cause the Partnership's Outlets to seek product from other sources, including Designs and any LOS Party. If, instead, the GM concludes that the Partnership's Outlets cannot profitably absorb all of the Partnership's closeout, slow-moving and irregular merchandise, the GM shall cause the Partnership to offer the excess merchandise:

(i) during Fiscal Years ending in an even integer (Fiscal Year 1996, Fiscal Year 1998, etc.): (x) first to Designs at a price equal to 65 percent of the Partnership's cost for such merchandise; then (y) if and to the extent Designs does not purchase at that price, to outlets located outside the Territory owned by LOS or another LOS Party at that same price and then (z) if and to the extent no LOS Party purchases at that price, to any and all resellers, including LOS Parties and Designs, at the best price available and

(ii) during Fiscal Years ending in an odd integer (Fiscal Year 1997, Fiscal Year 1999, etc.): (x) first to outlets located outside the Territory owned by LOS or another LOS Party at a price equal to 65 percent of the Partnership's cost for such merchandise; then (y) if and to the extent no LOS Party purchases at that price, to Designs at that same price and then (z) if and to the extent Designs does not purchase at that price, to any and all resellers, including LOS Parties and Designs, at the best price available.

For purposes of applying these rules, merchandise shall be attributed to a particular Fiscal Year (one ending in an odd integer or one ending in an even integer) on the basis of the Fiscal Year during which the Partnership first identifies the merchandise as being closeout, slow-moving or irregular merchandise in accordance with its normal procedures for doing so. Designs may, from time to time, assign any or all of its rights under this Subsection 5.11(b) to any Affiliate of Designs.

5.12 No Dissolution. A failure by the Management Committee to approve any proposed Major Action shall not result in a dissolution of the Partnership. Rather, the Partnership shall only be dissolved in accordance with the provisions of this Agreement. For example, a failure by the Management Committee to approve a Major Action that would have the effect of expanding the Partnership beyond the Stores included in the Partnership's 1996 Business Plan (see Article 7 of this Agreement) shall not result in a dissolution of the Partnership. Either Partner is entitled to evaluate expansion beyond the Stores included in that Business Plan and decide that the Partnership shall not so expand. Its doing so shall have no effect on the status of the Partnership.

5.13 Access. Each Partner and its agents, and every member of the Management Committee, shall have access, at reasonable times and upon reasonable notice, to all facilities, operations, personnel, records, and financial and other information of or pertaining to the Partnership. However, this right shall not extend to confidential memos or other confidential documents generated by or for a Partner or an Affiliate of a Partner. Examples are plans or strategies regarding the Partnership or its ownership interest in the Partnership.

5.14 Compensation. Except as provided in Section 19.1 of this Agreement, each Partner shall be responsible for compensating its representatives on the Management Committee for acting in that capacity and also reimbursing them for their related expenses.

ARTICLE 6 SENIOR MANAGERS, EMPLOYEES AND OPERATIONS

6.1 In General. As further elaborated in this Article 6, the Partnership shall employ the Partnership's senior managers and the store employees. In addition, Designs shall furnish certain services to the Partnership under the Administrative Services Agreement and the LOS Partner shall provide the Partnership with marketing and merchandising assistance.

6.2 Senior Managers in General. The Partnership shall employ a General Manager (the "GM") and the other senior managers specified on Schedule 6.2. The Partnership shall also employ such other senior managers as the Management Committee may designate from time to time. Those other senior managers, if any, shall have such powers, titles and duties, not inconsistent with this Agreement, as the Management Committee shall specify. All senior managers of the Partnership shall devote their exclusive full-time efforts to operating and managing the Partnership. The Partnership's initial senior managers are identified on Schedule 6.2.

6.3 Duties of the GM. The GM shall manage and oversee the general business and affairs of the Partnership, subject to the direction of the Management Committee. The GM shall interact with the Partners and the Management Committee, all as provided in a Business Plan approved by the Management Committee.

6.4 Store Employees. The Partnership shall employ the persons who operate the Stores. In order to achieve that end, at the Closing Designs will authorize the Partnership to hire certain of its employees whose principal place of employment is at an Original Store. See Article 9 of the Participation Agreement.

6.5 Assistance by the LOS Partner. For so long as the LOS

Partner is a Partner, at its own expense the LOS Partner shall provide the Partnership with guidance and assistance regarding store image and presentation, advertising, merchandising and packaging. Those activities and services will be described in one or more Business Plans approved by the Management Committee.

6.6 Administrative Services by Designs. Designs shall provide the Partnership with operational and administrative services, including lease negotiations, site recommendations, store construction oversight, accounting, information systems, implementation of operating policies, product ordering, hiring and other personnel functions, and preparation of proposed Business Plans. It shall perform those services pursuant to and as described in the Administrative Services Agreement and in one or more Business Plans approved by the Management Committee.

ARTICLE 7 BUSINESS PLAN

The Partnership shall prepare an annual Business Plan. The Business Plan shall: (a) include an assessment of the economy, (b) set forth assumptions for the plan year, (c) identify important risks and opportunities for the plan year, (d) discuss ways to improve the Partnership's competitiveness in the marketplace, (e) contain financial projections and a capital budget for the plan year and (f) include a projection of the Partnership's cash flow (including from operations and for all capital expenditures) for the plan year, for the six-month period after that plan year and for the 18-month period after that six-month period. Each Business Plan shall include a concise and focused narrative and be accompanied by supporting schedules. The Partners have approved the Partnership's initial Business Plan, the plan for the 1996 Fiscal Year. The Partnership's senior managers shall endeavor to submit a draft Business Plan to the Management Committee for its consideration on or about January 3 of each year for the next Fiscal Year (that is, for the Fiscal Year that will begin approximately the following February 1). The Management Committee shall endeavor to approve a Business Plan by the 15th of that January.

ARTICLE 8 ACCOUNTANTS AND FINANCIAL STATEMENTS

8.1 Accountants. The LOS Partner shall appoint the Accountants. However, it shall furnish the Designs Partner with 15 days' written notice before it discharges any Accountants or appoints any new Accountants. The Partnership's initial Accountants shall be Arthur Andersen LLP.

8.2 Financial Statements. In addition to maintaining books and records to enable it to file proper tax returns, the Partnership shall maintain books and records and prepare financial statements in accordance with GAAP, as applied by Designs. It shall prepare and deliver to each Partner: (a) an estimate (consisting of sales, gross margins, major expense items and net income) for each fiscal month of the Partnership no later than five business days after each fiscal month; (b) unaudited financial statements for each fiscal month of the Partnership no later than the third Monday after each fiscal month and (c) annual audited financial statements of the Partnership no later than 60 days after each Fiscal Year but subject to completion of the audit by the Accountants. All financial statements, both audited and unaudited, shall include a balance sheet and statements of income and cash flows. If the Partnership has any consolidated subsidiaries during the period or as of a date to which any financial statements relate, the statements shall be consolidated and shall also include consolidating statements. All financial statements shall also include comparisons with the Business Plan for the period covered. The annual financial statement shall be accompanied by an audit report of the Accountants. The Partnership shall also furnish each Partner with such financial information as that Partner may reasonably request, from time to time, in order to enable that Partner and its Affiliates to prepare its and their financial statements or for any other reasonable purpose,

provided that the requesting Partner reimburses the Partnership or the Designs Partner for any reasonable, incremental out-of-pocket expenses incurred by it in satisfying that request.

8.3 Store Specific Information. The Partnership shall also furnish the Partners with additional information intended to help them make informed decisions about, and implement, the procedures set forth in Articles 13 through 16 of this Agreement, including Sections 14.6 and 15.3, and for whatever other purposes either of the Partners may desire in connection with the Partnership or the implementation of this Agreement. To that end, within 30 days after each fiscal quarter during which the Partnership opens a new Store or adds at least \$5,000 of fixed assets to any existing Store, the Partnership shall furnish each Partner with a statement showing the capitalized pre-opening expenses and gross fixed assets (for each newly-opened Store) and the gross amount of any new fixed assets (for each existing Store). In addition, with the annual financial statements, the Partnership shall furnish each Partner with an unaudited statement showing the cumulative earnings or losses for each Store from the date it was opened through the end of the Fiscal Year to which those annual statements relate and also the earnings or losses for each Store during that Fiscal Year. Schedule 8.3 explains how the Partnership shall make the calculations necessary to prepare those statements. Schedule 8.3 also explains the principles that shall be applied in preparing the "Asset Statement" referred to in Subsection 14.6(e) and the Outlet Asset Statement referred to in Section 15.4. The figures set forth in the statements required by this Section 8.3 shall bind each Partner for purposes of applying Sections 14.6 and 15.3, unless that Partner challenges those figures by written notice given within 45 days after the statements are delivered or unless the Accountants require that those figures be adjusted as a condition to their delivering an unqualified audit opinion for the Fiscal Year (in which case the adjusted figures shall bind the Partners). If a Partner challenges any of those figures within that 45-day period, the Partners shall resolve the matter using the procedures set forth in Section 20.2.

8.4 Access. Upon reasonable notice to the Partnership, each Partner, whether through outside auditors or other representatives or its internal audit staff, shall be entitled to conduct financial and operational audits of the Partnership and its business and affairs.

ARTICLE 9

CAPITAL ACCOUNTS, DISTRIBUTIONS, ALLOCATIONS AND TAX MATTERS

9.1 Capital Accounts. The Partnership shall maintain a "Capital Account" for each Partner. Consistent with the Treasury Regulations under Code Section 704:

(a) Each Partner's Capital Account shall be credited with (i) the amount of all cash contributed by that Partner to the Partnership's capital, (ii) the fair market value of any other property contributed by that Partner to the Partnership's capital net of any liabilities secured by that property which the Partnership is considered to assume or take subject to under Code Section 752, (iii) that Partner's share of the Profits and (iv) that Partner's share of any items in the nature of income or gain separately allocated to that Partner.

(b) Each Partner's Capital Account shall be charged with (i) the amount of all cash distributions by the Partnership to that Partner, (ii) the fair market value of any other property distributed to that Partner net of any liabilities secured by that property which the Partner is considered to assume or take subject to under Code Section 752, (iii) that Partner's share of any Losses and (iv) that Partner's share of any items in the nature of loss or deduction separately allocated to that Partner.

(c) For purposes of Subsections 9.1(a) (i) and (b) (i) only: (i) money contributed by a Partner to the Partnership includes the amount of any Partnership liabilities that are assumed by that Partner (other than liabilities described in

Subsection 9.1(b)(ii) that are assumed by that Partner), but does not include increases in that Partner's share of Partnership liabilities and (ii) money distributed to a Partner by the Partnership includes the amount of that Partner's individual liabilities that are assumed by the Partnership (other than liabilities described in Subsection 9.1(a)(ii) that are assumed by the Partnership), but does not include decreases in that Partner's share of Partnership liabilities. For purposes of this Subsection 9.1(c), liabilities are considered assumed only to the extent that the assuming party is thereby subjected to liability, the creditor is aware of the assumption and can directly enforce the liability against the assuming party and, as between the assuming party and the party from whom the liability is assumed, the assuming party is ultimately liable.

(d) If the Partnership at any time distributes any Partnership Assets to a Partner in kind, the Capital Account of each Partner shall be adjusted to account for that Partner's distributive share of the Profits or Losses (as determined under this Article 9) which the Partnership would have realized had it sold those assets at their fair market values just before they were distributed.

(e) If any Partnership Interest is transferred in accordance with this Agreement, the transferee shall succeed to the transferor's Capital Account.

(f) Subsections 9.1(a) through (e) of this Agreement are intended to comply with the capital account maintenance rules under Treasury Regulations Section 1.704. The Capital Accounts shall in all events be maintained in accordance with Treasury Regulations Section 1.704.

(g) Upon completion of the contributions described in Sections 3.1 and 3.2 of this Agreement, the Design Partner's Capital Account shall be \$12,600,000 (plus or minus any adjustment effected under Subsection 2.3(e) of the Participation Agreement) and the LOS Partner's Capital Account shall be \$5,400,000 (minus or plus any adjustment effected under Subsection 2.3(e) of the Participation Agreement).

9.2 No Interest on Capital. No Partner shall be entitled to interest on its capital contributions or its Capital Account.

9.3 Cash Distributions.

(a) Once each year, the Partnership shall distribute its Excess Cash, if any. As reflected in the definition of "Excess Cash" that appears in the Glossary, the amount of Excess Cash (if any) shall be based, in general, upon the Partnership's anticipated cash flow for each 18-month period that ends with the last day of the second quarter of each Fiscal Year beginning with the second quarter of the 1998 Fiscal Year. The first cash distribution (assuming there then is Excess Cash) shall be made within ten days after Excess Cash is determined for the 18-month period ending on the last day of the second quarter of the 1998 Fiscal Year. If there is no Excess Cash for that period, the first cash distribution shall be made within ten days after it is determined that there is Excess Cash for any succeeding 18-month period ending on the last day of the second quarter of any Fiscal Year. Except as provided elsewhere in this Agreement, all distributions by the Partnership to the Partners shall be made in accordance with the Partners' respective Percentage Interests.

(b) Notwithstanding anything to the contrary stated or implied in Subsection 9.3(a) or elsewhere in this Agreement, during each 12-month period that begins on the last day of the first quarter of each Fiscal Year and ends on the last day of the first quarter of the next Fiscal Year, the Partnership shall distribute sufficient cash to the Partners, in proportion to their Partnership Interests, to enable them and their Affiliates to pay their corporate and franchise taxes attributable to the Partnership's income for the first of those two Fiscal Years. In order to determine the amount of those "attributed" taxes, the Partnership shall be assumed to have a combined tax rate for all

such taxes of 41 percent.

9.4 General Allocations.

(a) Except as provided in this Section 9.4 and in Section 9.5, Profits and Losses and each item thereof shall be allocated to the Partners in accordance with their respective Percentage Interests.

(b) If a Partner acquires one or more Stores from the Partnership in accordance with clause (i) of Subsection 14.4(a), clause (i) of Subsection 14.4(b) or Subsection 15.2(a), that transaction shall be treated as a distribution by the Partnership to that Partner of that portion of that Store or those Stores which equals that Partner's Percentage Interest and a sale by the Partnership to that Partner of the remaining portion of that Store or those Stores. Any gain or loss from such a sale shall be specially allocated to the non-acquiring Partner. Notwithstanding Subsection 9.1(d) of this Agreement, any adjustment to the Partners' Capital Accounts for unrealized Profits or Losses arising from that distribution shall be allocated entirely to the acquiring Partner. If a Partner acquires one or more Stores from the Partnership in accordance with clause (ii) of Subsection 14.4(a), clause (ii) of Subsection 14.4(b) or Subsection 15.2(b), that acquisition and the related distribution of cash shall both be treated as distributions by the Partnership, with the Partners' Capital Accounts being adjusted in accordance with Section 9.1.

9.5 Other Allocation Rules.

(a) The Partners and their Affiliates shall be bound by this Article 9 in reporting their distributive shares of Partnership income, gain, loss, deduction and credit for federal, state and local income tax purposes.

(b) In order to allocate them to any period, Profits, Losses and other items shall be determined on a daily, monthly or other basis, as determined by the Partnership, using any permissible method under Code Section 706. For purposes of Section 5.9(m) of this Agreement, the choice of any such method shall be deemed to be the adoption of a "Tax Accounting Method".

(c) With respect to any fiscal period during which any Partner's Percentage Interest changes, allocations of Profits or Losses shall take into account the varying interests of the Partners during that period in a manner consistent with Code Section 706(d).

(d) In accordance with Code Section 704(c), income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall for income tax purposes be allocated between the Partners so as to take account of any variation between the adjusted basis of that property to the Partnership for such purposes and its initial Carrying Value. Moreover, in order to correct any distortions created by the ceiling rule, the Partnership shall make reasonable curative allocations in accordance with Treasury Regulations Section 1.704-3(c). If the Carrying Value of any Partnership Asset is adjusted to equal its gross fair market value after an election by the Partnership under Treasury Regulations Section 1.704-1(b)(2)(iv)(f), subsequent allocations of income, gain, loss and deduction respecting that asset shall take account of any variation between the adjusted basis of the asset for federal income tax purposes and its Carrying Value in the same manner as described in the previous sentence. For purposes of Section 5.9(m) of this Agreement, the choice of reasonable curative allocations shall be deemed to be the adoption of a Tax Accounting Method. Allocations under this Subsection 9.5(d) are solely for the purpose of federal, state and local income taxes and shall not affect, or in any way be taken into account, in computing any Partner's Capital Account or share of Profits, Losses, other items or distributions under any provision of this Agreement.

9.6 Tax Returns.

(a) The Partnership shall file its United States federal, and any state and local, income and any other tax returns (including any extensions to file returns) in a manner consistent with the provisions of this Agreement and applicable law. The Partnership shall furnish a draft of any income tax return of the Partnership to each Partner no later than five calendar months after the close of the Partnership's taxable year. With that draft, the Accountant shall deliver a copy of its work papers used in preparing that draft. Each Partner shall provide any comments it may have respecting the draft within 30 days after it receives the draft. The Partners shall cooperate to resolve any disputes regarding the positions taken in the draft within 60 days after they receive the draft. If the Partners do not resolve the dispute within that period, either Partner may require that the dispute be resolved in accordance with Section 20.2 of this Agreement. Each Partner shall file its income and other tax returns in a manner that is consistent with the returns filed by the Partnership, the provisions of this Agreement and applicable law.

(b) With respect to Partnership tax items reflected in the Partners' income tax returns, the Partnership and each Partner shall provide each other with copies of all correspondence and summaries of other communications with the Internal Revenue Service, the Department of the Treasury, and state and local taxing authorities regarding any items of Partnership income, gain, loss, deduction or credit. Neither Partner shall enter into any settlement negotiations with the Internal Revenue Service, the Department of the Treasury or any such other authority with respect to the United States federal or any state or local income tax treatment of any Partnership item of income, gain, loss, deduction or credit without first giving reasonable notice of such intended action to the other Partner.

9.7 Tax Matters Partner. The Designs Partner is hereby designated as the Partnership's initial tax matters partner (the "Tax Matters Partner") for purposes of Section 6221 and later Sections of the Code. Subject to the balance of this Article 9, the Tax Matters Partner shall have all the powers and obligations of a tax matters partner under the Code. The LOS Partner may remove the Designs Partner as the Tax Matters Partner if, but only if, the Designs Partner fails to perform one or more of the material duties of the Tax Matters Partner. In such case, the LOS Partner shall become the Tax Matters Partner and shall then be subject to the same rules (including possible removal as such by the Designs Partner) as applied to the Designs Partner when it was the Tax Matters Partner.

9.8 Duties of Tax Matters Partner. With respect to Partnership tax items reflected in the Partnership's and the Partners' income tax returns, the Tax Matters Partner shall promptly provide the other Partner with copies of notices and other materials from (and inform the other Partner of discussions with) the Internal Revenue Service, the Department of the Treasury and state and any local tax authorities and shall provide the other Partner with notice of all scheduled proceedings (including meetings with agents, technical advice conferences and appellate hearings) as soon as possible after receiving notice of such proceedings. The Tax Matters Partner shall schedule such proceedings only after consulting the other Partner, with a view toward accommodating the reasonable convenience of both the Tax Matters Partner and the other Partner. The Tax Matters Partner shall not agree to extend the period of limitations for assessments, file a petition or complaint in any court, file a request for an administrative adjustment of Partnership items after any return has been filed or enter into any settlement agreement with the Internal Revenue Service, the Department of the Treasury or any state or local tax authorities, with respect to any Partnership items of income, gain, loss, deduction or credit, except at the direction of the Management Committee. The provisions of this Agreement regarding the Partnership's and the Partners' tax returns shall survive the

dissolution of the Partnership and the Transfer of any Restricted Interest, and shall remain in effect for the period of time necessary to resolve any and all matters regarding the United States federal, state and local income taxation of the Partnership and the Partners as regards items of Partnership income, gain, loss, deduction or credit.

9.9 Code Section 754. If requested by the transferee following a permitted Transfer, the Partnership shall file the election contemplated by Section 754 of the Code and any applicable analogous provisions of state or local law.

ARTICLE 10
PARTNERSHIP OPPORTUNITIES

10.1 Within the Territory.

(a) OLSs. During the duration of the Partnership, neither the LOS Partner nor any Affiliate of the LOS Partner shall pursue any OLS Opportunity in the Territory. After the Partnership is dissolved, the LOS Partner and any Affiliate of the LOS Partner may pursue any OLS Opportunity in the Territory. During the duration of the Partnership and also after the Partnership is dissolved, neither the Designs Partner nor any Affiliate of the Designs Partner shall pursue any OLS Opportunity within the Territory. Rather (but subject, in the case of the restrictions placed on the LOS Partner and its Affiliates, to the second sentence of this Subsection 10.1(a), all OLS Opportunities in the Territory shall be pursued, if at all, by the Partnership (and then only if first approved as a Major Action by the Management Committee in accordance with Section 5.9 of this Agreement if not already included and approved in the 1996 Business Plan).

(b) Outlets. During the duration of the Partnership, neither Partner nor any Affiliate of either Partner shall pursue any Outlet Opportunity in the Territory. Rather, during the duration of the Partnership, all Outlet Opportunities in the Territory shall be pursued, if at all, by the Partnership (and then only if first approved as a Major Action by the Management Committee in accordance with Section 5.9 of this Agreement if not already included and approved in the 1996 Business Plan). After the Partnership is dissolved, the LOS Partner and any Affiliate of the LOS Partner may pursue any Outlet Opportunity in the Territory. After the Partnership is dissolved, except with respect to Outlets acquired by the Designs Partner under Article 14 or 17 of this Agreement which are operated under the name "Levi's Outlet by Designs", neither the Designs Partner nor any Affiliate of the Designs Partner may pursue any Outlet Opportunity in the Territory unless (i) LS&CO. approves its doing so in accordance with the policies and procedures that LS&CO. normally uses, from time to time, to authorize new accounts, new locations, new ownership of existing locations or other arrangements respecting new or existing accounts and (ii) the Outlet or Outlets so approved do not use the name "Levi's Outlet" or any confusingly similar name.

10.2 Outside the Territory.

(a) OLSs. During the duration of the Partnership and also after the Partnership is dissolved, neither the Designs Partner nor any Affiliate of the Designs Partner shall pursue any OLS Opportunity outside the Territory. However, the LOS Partner and any Affiliate of the LOS Partner may at any time pursue any OLS Opportunity outside the Territory.

(b) Outlets. During the duration of the Partnership and also after the Partnership is dissolved, neither the Designs Partner nor any Affiliate of the Designs Partner shall pursue any Outlet Opportunity outside the Territory unless (i) LS&CO. approves its doing so in accordance with the policies and procedures that LS&CO. normally uses, from time to time, to authorize new accounts, new locations, new ownership of existing locations or other arrangements respecting new or existing accounts and (ii) the Outlet or Outlets so approved do not use

the name "Levi's Outlet" or any confusingly similar name. The LOS Partner and any Affiliate of the LOS Partner may at any time pursue any Outlet Opportunity outside the Territory.

10.3 Opportunities Defined.

(a) Subject to Sections 10.4 and 10.5, "OLS Opportunity" means (i) (x) the construction, purchase, lease or operation of, (y) the making or acquisition of any direct or indirect equity investment not constituting more than two percent of the total outstanding voting or economic interests in or (z) the licensing or franchising of, any retail establishment or operation that sells Levi's(R) branded adult jeans or jeans-related products and (ii) does so using (x) the name "The Original Levi's(R) Store" or a similar name or (y) any element of the Designated Trade Dress.

(b) Subject to Sections 10.4 and 10.5, "Outlet Opportunity" means (i) the construction, purchase, lease or operation of, (ii) the making or acquisition of any direct or indirect equity investment not constituting more than two percent of the total outstanding voting or economic interests in or (iii) the licensing or franchising of, any Outlet.

10.4 The Designs Partner and Its Affiliates. "OLS Opportunities" shall not include Designs': (a) continuing to operate its present, traditional stores, as they presently appear; (b) operating its "new look" stores, as exemplified by its store in Saugus, Massachusetts; (c) acquiring, and then owning and operating, another entity that itself owns one or more OLSs which were already operating with LS&CO.'s permission at the time of the acquisition or (d) modifying the appearance of any of those traditional or new look stores or opening any new stores, if and to the extent the modified or new stores do not otherwise fit the definition of "OLS Opportunity". The preceding sentence shall not be construed as a grant of approval by LS&CO. or by any other Affiliate of LSAI for Designs or any Affiliate of Designs to engage in any business or activity described in that sentence. Rather, except to the extent that such approvals have already been granted before this Agreement was signed (and even in those cases, subject to LS&CO.'s continuing right, if any, to withdraw those approvals), any and all such approvals shall be granted, if at all, in accordance with the policies and procedures that LS&CO. normally uses, from time to time, to authorize new accounts, new locations, new ownership of existing locations or other arrangements respecting new or existing accounts. In other words, this Agreement shall not be construed as affecting any of those policies or procedures or any party's rights or obligations respecting any of the matters covered by any of those policies or procedures.

10.5 The LOS Partner and Its Affiliates.

(a) "OLS Opportunities" shall not include the ownership or operation, by the LOS Partner or any Affiliate of the LOS Partner, of any OLSs acquired from the Partnership in accordance with this Agreement. "OLS Opportunities" shall also not include LS&CO.'s licensing, authorizing or permitting a retailer that operates an "Ideal Jeans Shop" or a similar "store within a store" from using any one or more of items 2, 3, 4, 6 and 7 of the "Trade Dress" identified on Exhibit B to the LOS Sublicense Agreement.

(b) "Outlet Opportunities" shall not include the ownership or operation, by the LOS Partner, the Designs Partner or any Affiliate of either Partner, of any Outlets acquired from the Partnership in accordance with this Agreement.

10.6 Non-Obligation. Nothing in this Agreement shall obligate the LOS Partner or any Affiliate of the LOS Partner to take any action or refrain from taking any action vis-a-vis any retailers or other parties to which LS&CO. now or in the future sells any products in order to promote or protect the business of the Partnership. Likewise, but subject to the rules set forth in this Article 10 regarding OLS Opportunities and Outlet

Opportunities, nothing in this Agreement shall obligate the Designs Partner or any Affiliate of the Designs Partner to take any action or refrain from taking any action at any of its present or future stores in order to promote or protect the business of the Partnership.

10.7 Other Activities. Nothing in this Agreement or any other Transaction Document shall prohibit the Designs Partner, any Affiliate of the Designs Partner, the LOS Partner or any Affiliate of the LOS Partner from engaging in any business or other activity that does not constitute an OLS Opportunity or an Outlet Opportunity, whether within or without the Territory. For example, the LOS Partner and Affiliates of the LOS Partner shall be entirely free to own, operate, license, invest in or engage in any other activity with respect to any Dockers(R) Shop (both within and without the Territory) and any outlet that sells any Dockers(R) products (both within and without the Territory).

10.8 Use of Certain Rights. Designs shall be entitled to use item 4 of the "Trade Dress" identified on Exhibit B to the LOS Sublicense Agreement (the so-called "video wall") in any store in which Designs does not sell any LS&CO. products. However, Designs may not use, with any such video wall, any visual or audio programming developed for any OLS.

ARTICLE 11

OVERVIEW REGARDING PURCHASES, SALES AND DISSOLUTION

11.1 Subject Matter. Articles 12 through 18 of this Agreement set out the rules that govern the transfer of Restricted Interests, the transfer of individual or multiple Stores, and the dissolution of the Partnership. In implementing these provisions as well as the other provisions of this Agreement and the provisions of the other Transaction Documents, the Partners shall at all times deal with each other in good faith.

11.2 Function of Each Article. Article 12 sets forth basic prohibitions. It explains that this Agreement, and particularly its Articles 13 through 18, sets forth the exclusive means by which the Partners and their Affiliates may proceed with transactions of the type described in Section 11.1. Article 13 prescribes rules under which, beginning January 30, 2000, the Designs Partner or Designs may initiate a process that could result in the sale of the Designs Partner's Partnership Interest or the stock of the Designs Partner to an outside party or to the LOS Partner or an Affiliate of the LOS Partner. Article 14 describes procedures under which a Partner may acquire the other Partner's Partnership Interest or individual OLSs. The Article 14 procedures may also result in the "initiating" Partner selling its Partnership Interest to the other Partner or the other Partner acquiring certain OLSs from the Partnership. Like the Article 13 procedures, the Article 14 procedures may not be initiated until January 30, 2000. Article 15 grants the LOS Partner and its Affiliates the right to acquire one or more Outlets beginning January 30, 2000. Article 16 contains rules under which one Partner may buy the other Partner's Partnership Interest in response to certain Termination Events. Those rules may be invoked at any time after the Closing if a Termination Event occurs. Article 17 explains how the Partnership will be dissolved at the Termination Date and thereafter wound up if it has not been dissolved before the Termination Date. Finally, Article 18 sets forth certain transition rules related to, and also consequences of, the transfers and dissolutions addressed in Articles 12 through 17 (for example, the impact of such transfers on existing and future obligations under this Agreement and the other Transaction Documents).

11.3 Certain Relationships. A number of the rules in Articles 12 through 18 treat the same or similar subjects (the transfer of Partnership Interests, other Restricted Interests and Partnership Assets). Accordingly, it is important to know how those rules interrelate and, in particular, which of them prevails in the event of an apparent conflict. Here, then, are principles that shall govern in situations that might otherwise

be thought to implicate conflicting rules:

(a) Article 16 (the article that permits a Partner to buy the other Partner's Partnership Interest after certain Termination Events) shall have these relationships to Articles 13 and 14:

(i) Assume that one Partner initiates the procedures set forth in Article 14 (the article under which one Partner could, for example, acquire individual OLSs). Assume also that before those procedures result in a completed transaction, a Partner commits a Material Breach (see Article 16). Under those circumstances, the non-breaching Partner could block or pre-empt the Article 14 transaction by buying the breaching Partner's Partnership Interest under Article 16. The same result would pertain for Fundamental Changes, Reputation Events, Bankruptcy Events and Unauthorized Terminations (i.e., the Partner entitled to buy a Partnership Interest under Article 16 in response to the Fundamental Change or other "Article 16 event" could block or pre-empt the Article 14 transaction).

(ii) Now, assume that Designs initiates the procedures under Article 13 to sell the stock of the Designs Partner to an outside party. Or assume that the Designs Partner initiates the Article 13 procedures to sell its Partnership Interest to an outside party. In either case, before that sale is completed, a Reputation Event or other "Article 16 event" occurs with respect to one Partner. If that is the Designs Partner, then the LOS Partner may stop the Article 13 sale by buying the Design Partner's Partnership Interest under Article 16. If, instead, the "Article 16 event" occurs with respect to the LOS Partner, then the Designs Partner may buy the LOS Partner's Partnership Interest under Article 16 and block the LOS Partner's exercise of its first refusal right under Article 13.

(iii) The first purchase of a Designs Restricted Interest under Article 13 shall not be treated as a Fundamental Change with respect to the Designs Partner. For example, if a "third party" buys or proposes to buy the Designs Partner's stock from Designs, the LOS Partner cannot treat that transaction as a Fundamental Change respecting the Designs Partner, thus entitling the LOS Partner to buy the Designs Partner's Partnership Interest at the price determined in accordance with Article 16.

(iv) However, any subsequent purchase of a Designs Restricted Interest shall be treated as a Fundamental Change and thus permit the LOS Partner to purchase the Designs Partner's Partnership Interest under Article 16. For example if, following the purchase of the Designs Partner's stock from Designs, the purchaser then causes the Designs Partner to sell or offer to sell its Partnership Interest under Article 13 to still another party, the LOS Partner would be entitled to invoke either Article 13 or Article 16 to buy that Partnership Interest. The LOS Partner could also, of course, choose not to buy that Partnership Interest.

(b) Articles 13 and 14 shall have these relationships:

(i) The LOS Partner shall not be entitled to invoke Article 14 with respect to individual OLSs while an Article 13 transaction is pending.

(ii) However, the LOS Partner may use Article 14 to preempt a pending Article 13 transaction if it uses Article 14 to propose a transaction to buy or sell the Designs Partner's Partnership Interest.

(iii) The Designs Partner may not commence an Article 14 procedure while an Article 13 transaction is pending.

(iv) Neither the Designs Partner nor Designs may commence an Article 13 transaction while an Article 14 procedure initiated by the Designs Partner is pending.

(v) If the LOS Partner initiates an Article 14 procedure for at least half of the Partnership's OLSs, the Designs Partner may not initiate an Article 13 transaction until that Article 14 transaction has been completed. However, the Designs Partner need not postpone an Article 13 transaction if that Article 14 transaction involves fewer than half of the Partnership's OLSs.

(c) As regards Article 14, two or more Article 14 "procedures" may be implemented simultaneously if they involve different OLSs. For example, if the LOS Partner invokes Article 14 with respect to certain of the Partnership's OLSs, then, even before that process is completed, the Designs Partner may initiate an Article 14 procedure respecting other OLSs.

(d) If one Partner invokes Article 14 with respect to certain of the Partnership's OLSs, the other Partner may block that process by initiating an Article 14 procedure to buy or sell the first Partner's Partnership Interest.

(e) Having determined that, absent earlier dissolution, the Partnership should be dissolved at the Termination Date (see Section 2.7), the Partners intend that implementation of the procedures set forth in Articles 13 or 14 should not extend the duration of the Partnership. Accordingly, the Article 13 and 14 procedures may not be initiated later than six months before the Termination Date. However, Articles 15 and 16 may be invoked at any time prior to 60 days before the Termination Date.

(f) The LOS Partner shall be entitled to exercise its right to buy one or more Outlets under Article 15 irrespective of whether any purchase or sale procedure has: (i) begun or been completed under Article 13; (ii) begun or been completed for OLSs under Article 14; (iii) begun for Partnership Interests under Article 14 but only to the extent provided in Article 14; (iv) begun under Article 16, if the Article 16 procedure involves the purchase of the Designs Partner's Partnership Interest or (v) begun under Article 17. However, the LOS Partner may not first give an Article 15 notice that it is buying Outlets: (vi) in the case of an Article 14 procedure respecting Partnership Interests, after the time indicated in Article 14 for giving such a notice unless, in accordance with Article 14, the Designs Partner has stopped the Article 14 procedure; (vii) after the Designs Partner has begun a procedure to buy the LOS Partner's Partnership Interest under Article 16 or (viii) after 60 days before the Termination Date. Moreover, if the Designs Partner initiates a procedure to purchase the LOS Partner's Partnership Interest under Article 16, that shall block any pending purchase by the LOS Partner of any Outlets.

11.4 Assumption. The various rules stated in Section 11.3 which prohibit or limit one or both Partners from taking certain actions after one or a certain Partner initiates some other procedure assume that the other procedure was properly initiated. For example, the Designs Partner's ability to "cut off" the LOS Partner's right to purchase Outlets under Article 15 by electing to purchase the LOS Partner's Partnership Interest under Article 16 assumes that the Designs Partner was entitled to purchase the LOS Partner's Partnership Interest under Article 16 when it elected to do so. Accordingly, if the Designs Partner makes such an election, the LOS Partner may nevertheless "contingently" elect to purchase one or more Outlets under Article 15 (assuming that right is otherwise then exercisable), in which case the Parties shall make whatever arrangements are necessary or appropriate in order that: (i) the LOS Partner will acquire the

Outlet or Outlets it elected to acquire if it ultimately is determined that the Designs Partner was not entitled to buy the LOS Partner's Partnership Interest under Article 16 and (ii) the Designs Partner will buy the LOS Partner's Partnership Interest under Article 16 if it is ultimately determined that the Designs Partner was entitled to do so.

11.5 Timing. Various of the provisions in Articles 13 through 17 explain that certain procedures cannot be initiated before a certain date or cannot be initiated after a certain date. Those provisions shall be interpreted to mean, in the case of no "initiation" before a certain date, that the notice given by the Partner that initiates the procedure cannot be effective until that date. However, the notice may be effective as early as that date. In the case of provisions respecting no "initiation" after a certain date, those provisions shall be interpreted to mean that the notice given by the Partner that initiates the procedure can be effective as late as that date but not after that date.

ARTICLE 12 EXCLUSIVITY OF RIGHTS

12.1 In General. The Partners intend that the provisions of this Agreement and in particular this Article 12 and Articles 13 through 18 shall provide the exclusive means of dissolving the Partnership or transferring Restricted Interests.

12.2 Waivers. Subject to the other provisions of this Agreement and in particular its Articles 13 through 18, each Partner hereby waives its right to withdraw from the Partnership, to dissolve the Partnership, to partition or sell any Partnership Assets or to initiate any judicial or other proceeding to achieve any of the purposes referred to in this sentence.

12.3 Restrictions on Transfers. Subject to Section 12.4 and to Articles 13, 14, 16 and 18, no Partner and no Affiliate of either Partner shall at any time sell, assign, grant a Lien on, or otherwise dispose of, any interest in (collectively "Transfer") all or any portion of a Restricted Interest.

12.4 Transfers to Certain Affiliates. Subject to satisfaction of the requirements of Section 7.6 of the Participation Agreement, either Partner or any Affiliate of either Partner that holds a Restricted Interest shall be entitled at any time to Transfer all (but not a portion) of any Restricted Interest to any (or another) Affiliate of that Partner if Designs (in the case of a Transfer by Designs or the Designs Partner) or LS&CO. (in the case of a Transfer by LS&CO., LOS Inc. or the LOS Partner) directly or indirectly owns 100 percent of the equity interests of the transferee Affiliate at the time of the Transfer. However, such a Transfer shall not be permitted if it would cause a termination of the Partnership under Code Section 708(b)(1)(B) unless the other Partner consents to the Transfer. That other Partner may not withhold its consent unreasonably.

ARTICLE 13 CERTAIN TRANSFERS OF DESIGNS RESTRICTED INTEREST

13.1 In General. Subject to Section 11.3, at any time beginning January 30, 2000 and ending July 25, 2004, Designs or the Designs Partner (in either case, a "Designs Transferor") may initiate the procedures set forth in this Article 13 to Transfer all (but not a portion) of a Designs Restricted Interest (that is, all but not a portion of the Designs Partner's Partnership Interest or all but not a portion of the outstanding stock of the Designs Partner, but not both). In order to effect such a Transfer, the Designs Transferor must first receive a bona fide written offer for a Designs Restricted Interest from a Qualified Transferee accompanied by reasonable evidence of the Qualified Transferee's ability to finance that offer. The Designs Transferor must then submit a copy of that offer to the LOS Partner, together with a notice to the effect that the Designs Transferor intends in good faith to accept that offer. By doing

so, the Designs Transferor shall have offered to Transfer the Designs Restricted Interest to the LOS Partner (or to an Affiliate of the LOS Partner designated by the LOS Partner) on the same terms and conditions as those offered by the Qualified Transferee, except to the extent otherwise provided in this or another Transaction Document. (Such an offer is referred to in this Agreement as a "Purchase Offer".) The Designs Transferor shall promptly and in good faith furnish the LOS Partner with all material non-confidential information which the Designs Partner or any Affiliate of the Designs Partner has about the Purchase Offer, the financing that supports the Purchase Offer, the proposed transferee (the "Transferee") and any Affiliates of the Transferee, including, for example, information bearing on whether the Transferee is a Qualified Transferee.

13.2 Qualified Transferee Status. If the LOS Partner in good faith believes that the Transferee is not a Qualified Transferee or, again in good faith, believes that it lacks sufficient information to determine whether the Transferee is a Qualified Transferee, the LOS Partner shall so notify the Designs Partner in writing within ten days after the Designs Partner gives the Purchase Offer. The Partners shall then endeavor to resolve the status of the Transferee as promptly as possible. If they fail to resolve that status within ten days after the LOS Partner gives the Designs Partner its notice questioning the status of the Transferee, either Partner may cause that status to be resolved as a "Controversy" in accordance with Section 20.1 of this Agreement but without resort to the meeting of senior managers referred to in that section. If the Transferee is found not to be a Qualified Transferee, the effect shall be as though the Purchase Offer had never been made. See Section 13.6.

13.3 Elections. If the Transferee is deemed a Qualified Transferee (either because the LOS Partner acquiesces in that characterization or as a result of the procedures specified in Section 13.2), the LOS Partner shall either accept the Purchase Offer or reject the Purchase Offer. It shall do that in writing. It must do so no later than: (a) 90 days after the LOS Partner receives the Purchase Offer, if the LOS Partner does not object to the Transferee's status as a Qualified Transferee or (b) the later of that 90th day and ten days after the status of the Transferee is resolved, if the LOS Partner objects to the Transferee's status as a Qualified Transferee. If the LOS Partner fails to make a timely election, the LOS Partner shall be considered to have rejected the Purchase Offer.

13.4 Acceptance. If the LOS Partner accepts the Purchase Offer, its acceptance shall specify the place and time (which shall be no later than 30 days after the acceptance or such later date, if any, as is specified in the third party's offer) at which the closing of the Transfer described in the Purchase Offer shall take place. Unless they jointly decide otherwise, the LOS Partner (or the Affiliate it designates) and the Designs Transferor shall proceed to close the Transfer in accordance with the Purchase Offer and that schedule.

13.5 Rejection. If the LOS Partner rejects the Purchase Offer or is considered to have done so, then, during the 45 days after that rejection, the Designs Transferor shall be entitled, but not obligated, to Transfer the Restricted Interest to which the Purchase Offer relates to the Transferee on terms and conditions that are no more favorable to the Transferee than those specified in the Purchase Offer. However, the Designs Transferor shall not be permitted to complete that Transfer if, before it is completed, a Fundamental Change occurs or is pending with respect to the Transferee.

13.6 Continuance of Restrictions. If a Designs Transferor invokes the procedures set forth in this Article 13 but they do not lead to a Transfer, the Restricted Interest that was the subject of those procedures and all other Restricted Interests shall continue to be subject to the restrictions imposed by this Agreement and the Participation Agreement. After a Transfer of a Restricted Interest to other than the LOS Partner or an Affiliate of the LOS Partner under this Article 13, that Restricted

Interest shall likewise continue to be subject to the restrictions of this Agreement including, without limitation, its Articles 10 through 18.

ARTICLE 14
SPECIAL PURCHASE AND SALE RIGHTS
FOR OLSs AND PARTNERSHIP INTERESTS

14.1 In General.

(a) Subject to Section 11.3, at any time beginning January 30, 2000 and ending July 25, 2004, either Partner may initiate a procedure that would (or in the case of such a procedure initiated under Section 14.4, could) result in one Partner buying or selling a Partnership Interest or one Partner acquiring one or more OLSs, all in accordance with this Article 14. More specifically, by initiating such a procedure, a Partner may seek to buy the other Partner's Partnership Interest, to sell its own Partnership Interest to the other Partner or to acquire or have the other Partner acquire one or more OLSs from the Partnership. However, through this process a Partner may not seek to buy or sell a portion of (as opposed to all of) a Partnership Interest. Nor, in a procedure involving OLSs rather than Partnership Interests, may a Partner seek to acquire or have the other Partner acquire Partnership Assets that do not constitute one or more complete OLSs. But that said, a Partner may not seek to acquire or have the other Partner acquire all the OLSs (as such) through this process. Instead, in the case of a transaction under this Article 14 that could result in a Partner owning all the OLSs then owned by the Partnership, the initiating Partner must offer to buy or sell a Partnership Interest rather than the Partnership's OLSs.

(b) If the procedure initiated under this Article 14 relates to OLSs rather than Partnership Interests, Outlets will have no role in that procedure, except that the LOS Partner may initiate (in which case the Partners and the Partnership shall implement) a procedure to purchase one or more Outlets under Article 15 although an Article 14 procedure respecting OLSs is also underway or even after it is completed. If, instead, the Article 14 procedure relates to Partnership Interests, then the following rules shall govern the role of Outlets in that procedure: Early in that procedure (as explained later, with its initial notice, if the LOS Partner initiates the procedure, and shortly after the Designs Partner gives its initial notice, if the Designs Partner initiates the procedure), the LOS Partner must elect whether or not it will acquire all the Outlets under Article 15 (at the price determined in accordance with Section 15.3). If the LOS Partner so elects to acquire the Outlets, then, except under the circumstance explained in Subsection 14.2(a) and Section 14.4, the Partners and the Partnership shall complete that transaction and shall also proceed with the Article 14 procedure respecting Partnership Interests. As a result, under those circumstances (but subject to that exception), the LOS Partner will acquire the Outlets in accordance with Article 15 but as part of a "larger" transaction in which either: (i) the LOS Partner will acquire the Designs Partner's Partnership Interest or (ii) the Designs Partner will acquire the LOS Partner's Partnership Interest but in a Partnership that no longer includes Outlets. If, instead, the LOS Partner does not elect to acquire the Outlets under Article 15, the Partners and the Partnership shall proceed with the Article 14 procedure respecting Partnership Interests with the consequence that the Partner that acquires a Partnership Interest will also acquire the Outlets. In this latter case (i.e., if the LOS Partner does not elect to acquire the Outlets under Article 15), the pricing of the Outlets will be determined in accordance with this Article 14.

14.2 Initiating the Process. As explained in greater detail in Sections 14.3 through 14.8, a Partner initiates the Article 14 procedure by delivering a written notice to the other Partner. That notice shall (a) identify the property or properties that will be the subject of the procedure (that is, Partnership Interests or specific OLSs, and in either case the

"Subject Property"); (b) specify the nature of the transaction being proposed; (c) except as explained later in this Section 14.2, designate a proposed value for the Subject Property (the "Designated Value") and (d) specify any conditions to either Partner's or the Partnership's obligation to close the proposed transaction (but no conditions that are inconsistent with this Agreement). If the Subject Property is one or more OLSs, the Designated Value shall represent a value for that OLS or those OLSs. If the Subject Property is Partnership Interests, the Designated Value shall represent a value for both Partnership Interests combined. Notwithstanding the foregoing:

(a) If the Designs Partner initiates the Article 14 procedure and that procedure relates to Partnership Interests: (i) the Designs Partner's initiating notice need not specify a Designated Value; (ii) within 30 days after the Designs Partner gives that notice, the LOS Partner by written notice to the Designs Partner shall elect whether the LOS Partner will purchase the Outlets (all of them, not just some of them) in accordance with Article 15; (iii) the LOS Partner's failure to give such a notice within that 30-day period shall be considered an election by the LOS Partner not to purchase any of the Outlets under Article 15; (iv) if the LOS Partner timely elects to acquire the Outlets under Article 15, the "Subject Property" shall be considered interests in a Partnership that does not own any Outlets; (v) if the LOS Partner does not timely elect to acquire the Outlets under Article 15, the "Subject Property" shall be considered interests in a Partnership that owns its Outlets; (vi) within 10 days after the LOS Partner gives its notice (or within 10 days after the last day of the 30-day period if the LOS Partner does not give a timely notice), the Designs Partner shall give the LOS Partner a further notice which either (A) sets forth the Designated Value for the Subject Property or (B) if, but only if, the LOS Partner elected to acquire Outlets under Article 15, rescinds the offer contained in the Designs Partner's initial notice; (vii) within 10 days after the Designs Partner gives any such rescission notice, the LOS Partner may give the Designs Partner a notice rescinding the LOS Partner's election to buy Outlets under Article 15; (viii) if the LOS Partner timely elected to acquire the Outlets under Article 15, then, subject to any timely rescissions, the Article 14 procedure (for Partnership Interests) and the Article 15 procedure (for the Partnership's Outlets) shall be implemented simultaneously; (ix) if the LOS Partner did not timely elect to acquire the Outlets under Article 15, the Article 14 procedure shall be implemented without regard to Article 15 and (x) if the Designs Partner is permitted to rescind, and timely rescinds, its initial offer: (A) the OLS Partner shall acquire the Outlets under Article 15 (if it does not timely rescind its election to do so) or (B) no transaction shall be completed (if the LOS Partner does timely rescind that election). No rescission shall prejudice any Partner's right later to initiate any other procedure (including another Article 14 procedure or another Article 15 procedure).

(b) If the LOS Partner initiates the Article 14 procedure and that procedure relates to Partnership Interests: (i) the LOS Partner's initiating notice shall specify whether the LOS Partner will purchase the Outlets (all of them, not just some of them) in accordance with Article 15; (ii) if the LOS Partner so elects to acquire the Outlets, the "Subject Property" shall be considered interests in a Partnership that does not own any Outlets, in which case the Article 14 procedure (for such interests) and the Article 15 procedure (for Outlets) shall be implemented simultaneously; (iii) if the LOS Partner did not timely elect to acquire the Outlets, the "Subject Property" shall be considered interests in a Partnership that owns its Outlets, in which case the Article 14 procedure shall be implemented without regard to Article 15 (except if and to the extent required by Subsection 14.6(c)) and (iv) irrespective of whether the LOS Partner elected to purchase the Outlets under Article 15, its initiating notice shall set forth the Designated Value for the Subject Property.

Whichever notice contains the Designated Value (the Designs Partner's notice specified in clause (vi) of Subsection 14.2(a),

if the Designs Partner initiated the Article 14 procedure, or the LOS Partner's initiating notice, if the LOS Partner initiated the Article 14 procedure) is referred to in the remainder of this Article 14 as the "Trigger Notice".

14.3 Ownership Assumption. The rules that follow in this Article 14 assume that the Designs Partner's Percentage Interest will be 70 percent and the LOS Partner's Percentage Interest will be 30 percent when the "Article 14 transaction" is completed. If those percentages are then different, the rules that follow shall be modified, as appropriate, to reflect the correct percentages.

14.4 Procedure as Initiated by the Designs Partner. If the Designs Partner initiates the Article 14 procedure, its Trigger Notice shall constitute both an offer to acquire the Subject Property and an offer that the LOS Partner acquire the Subject Property. If the Subject Property consists of one or more OLSs, the offer shall constitute both an offer that the Designs Partner acquire (by purchase or distribution, as provided below) those OLSs from the Partnership and an offer that the LOS Partner acquire (by purchase or distribution, as provided below) those OLSs from the Partnership. That offer shall also specify whether, if the LOS Partner acquires those OLSs, it shall do so in accordance with clause (i) of Subsection 14.4(a) or clause (ii) of Subsection 14.4(a). If, instead, the Subject Property is Partnership Interests, the offer shall constitute both an offer to buy the LOS Partner's Partnership Interest and an offer to sell the Designs Partner's Partnership Interest to the LOS Partner. The LOS Partner must accept one of the offers, either the offer that it acquire the Subject Property or the offer that the Designs Partner acquire the Subject Property. It may not do neither. The LOS Partner must give that acceptance in writing and must do so within 120 days after the Designs Partner gives its Trigger Notice. If the transaction involves OLSs rather than Partnership Interests and the LOS Partner elects that the Designs Partner will acquire those OLSs, the LOS Partner's acceptance shall specify whether the Designs Partner will do so in accordance with clause (i) of Subsection 14.4(b) or clause (ii) of Subsection 14.4(b). If the LOS Partner does not timely accept one of those offers, it shall be considered to have accepted the offer that the Designs Partner acquire the Subject Property and, if the transaction involves OLSs rather than Partnership Interests, that the Designs Partner do so in accordance with clause (i) of Subsection 14.4(b). Once an offer made under this Subsection 14.4 has been accepted:

(a) if the Subject Property is one or more OLSs, the LOS Partner is acquiring them and:

(i) the Designs Partner elected that the acquisition be effected in accordance with this clause (i), then: (A) the LOS Partner shall pay 70 percent of the Designated Value to the Partnership in cash, (B) the Partnership shall distribute that cash to the Designs Partner and (C) the Partnership shall convey those OLSs to the LOS Partner or

(ii) if, instead, the Designs Partner elected that the acquisition be effected in accordance with this clause (ii), then: (A) notwithstanding the cash distribution rules set forth in Section 9.3 of this Agreement but subject to Section 18.12, all subsequent distributions of Excess Cash by the Partnership shall be made to the Designs Partner until those distributions equal seven-thirds of the Designated Value and (B) the Partnership shall then convey the Subject Property to the LOS Partner (it being understood that this conveyance shall not be postponed if and because the Partnership does not then have sufficient Excess Cash to satisfy the requirements of part (A) of this clause (ii)) or

(b) if the Subject Property is one or more OLSs, the Designs Partner is acquiring them and:

(i) the LOS Partner elected that the acquisition be

effected in accordance with this clause (i), then:
(A) the Designs Partner shall pay 30 percent of the Designated Value to the Partnership in cash, (B) the Partnership shall distribute that cash to the LOS Partner and (C) the Partnership shall convey the Subject Property to the Designs Partner or

(ii) if, instead, the LOS Partner elected that the acquisition be effected in accordance with this clause (ii), then: (A) notwithstanding the cash distribution rules set forth in Section 9.3 of this Agreement but subject to Section 18.12, all subsequent distributions of Excess Cash (other than in liquidation of the Partnership) by the Partnership shall be made to the LOS Partner until those distributions equal three-sevenths of the Designated Value and (B) the Partnership shall then convey the Subject Property to the Designs Partner (it being understood that this conveyance shall not be postponed if and because the Partnership does not then have sufficient Excess Cash to satisfy the requirements of part (A) of this clause (ii)) or

(c) if the Subject Property is Partnership Interests and the LOS Partner is buying the Designs Partner's Partnership Interest, then the LOS Partner shall pay 70 percent of the Designated Value to the Designs Partner in cash, the Designs Partner shall convey its Partnership Interest to the LOS Partner and, if the LOS Partner timely elected to acquire the Outlets under Article 15, the LOS Partner shall pay for and acquire the Outlets in accordance with Article 15 or

(d) if the Subject Property is Partnership Interests and the Designs Partner is buying the LOS Partner's Partnership Interest, then the Designs Partner shall pay 30 percent of the Designated Value to the LOS Partner in cash, the LOS Partner shall convey its Partnership Interest to the Designs Partner and, if the LOS Partner timely elected to acquire the Outlets under Article 15, the LOS Partner shall pay for and acquire the Outlets in accordance with Article 15.

(e) Anything to the contrary in this Section 14.4 notwithstanding, the rights and obligations of the Partners and the Partnership set forth in this Section 14.4 are subject to the rights of the Partners to rescind offers and elections under the circumstances specified in, and during the periods specified in, Subsection 14.2(a).

14.5 Procedure as Initiated by the LOS Partner. If the LOS Partner initiates the Article 14 procedure, it may do so in either of two ways. One way is to offer to acquire (by purchase or distribution, as provided below) the Subject Property specified in its Trigger Notice. In that case, Section 14.6 shall govern the procedure. In the alternative, the LOS Partner may offer that the Designs Partner acquire (by purchase or distribution, as provided below) the Subject Property. In that case, Section 14.7 shall govern the procedure.

14.6 LOS Partner Offer to Acquire.

(a) If the LOS Partner initiates the Article 14 procedure and offers to acquire the Subject Property, its Trigger Notice shall include a Designated Value that is equal to or greater than the "Minimum Value". (If the LOS Partner specifies a Designated Value that is greater than the Minimum Value, it may express that premium as a dollar figure in excess of the Minimum Value, as a percentage of the Minimum Value or otherwise.) The rules for determining the Minimum Value appear in Subsections 14.6(c), (d) and (e). The Designs Partner shall (i) accept that offer or (ii) based on a Designated Value that is higher than the Designated Value set forth in the LOS Partner's Trigger Notice (with that premium expressed as a dollar figure or a percentage in excess of the Designated Value), offer both to (A) acquire the Subject Property and to (B) have the LOS Partner acquire the Subject Property. The Designs Partner must elect (i) or (ii).

It may not do neither. It must make its election in writing and must do so within 120 days after the LOS Partner gives its Trigger Notice. If the Designs Partner elects to make the offer set forth in clause (ii) of this Subsection 14.6(a), its election shall specify the "higher" figure referred to previously in this Subsection 14.6(a). In addition, if the transaction involves OLSs rather than Partnership Interests, the Designs Partner's election (irrespective of whether it elects (i) or (ii)) shall specify whether, if the LOS Partner acquires those OLSs, it shall do so in accordance with clause (i) of Subsection 14.4(a) or clause (ii) of Subsection 14.4(a). If the Designs Partner does not make a timely election, it shall be considered to have accepted the LOS Partner's offer to acquire the Subject Property as set forth in clause (i) of this Subsection 14.6(a) and, if the offer involves OLSs, to have elected to effect the acquisition in accordance with clause (i) of Subsection 14.4(a). If the Designs Partner elects to make the offers set forth in clause (ii) of this Subsection 14.6(a), the LOS Partner shall have 120 days after the Designs Partner gives its notice to elect, in writing, to accept either (A) or (B) of that clause (ii). It may not do neither. If the transaction involves OLSs rather than Partnership Interests and the LOS Partner elects (ii) (A), its acceptance shall specify whether the Designs Partner will acquire those OLSs in accordance with clause (i) of Subsection 14.4(b) or clause (ii) of Subsection 14.4(b). If the LOS Partner does not make a timely election, it shall be considered to have accepted (ii) (A) and, if the offer involves OLSs, to have elected to effect the acquisition in accordance with clause (i) of Subsection 14.4(b). Following acceptance by the Designs Partner of the LOS Partner's initiating offer or acceptance by the LOS Partner of one of the Designs Partner's responsive offers, the Partners (and the Partnership, as appropriate) shall complete the transactions described in Subsection 14.4(a) (under its clause (i) or its clause (ii)), (b) (under its clause (i) or its clause (ii)), (c) or (d), as appropriate, based on the Designated Value and the manner of acquisition specified in (or for) the offer that was accepted. In addition, if the LOS Partner's Trigger Notice included an election that the LOS Partner acquire the Outlets in accordance with Article 15, the Partners and the Partnership shall simultaneously complete that transaction as well.

(b) By way of example, assume that the LOS Partner initiates the procedure by identifying three OLSs as the Subject Property and offering to acquire them for a Designated Value (meeting the Minimum Value requirements) of \$6 million cash. Assume also that the Designs Partner does not accept that offer and instead specifies a \$7 million Designated Value in a responsive offer under clause (ii) of Subsection 14.6(a). Assume further that the LOS Partner then elects to acquire those OLSs in its second notice. Finally, assume that the Designs Partner had specified in its notice that, if the LOS Partner acquired the OLSs, it must do so in accordance with clause (i) of Subsection 14.4(a). The Partners and the Partnership would then complete these steps: The LOS Partner would pay the Partnership \$4.9 million in cash (that is, 70 percent of \$7 million), the Partnership would distribute that cash to the Designs Partner and the Partnership would convey the three OLSs to the LOS Partner.

(c) The Minimum Value shall be the sum of:

$$\text{CPE} + \text{GFA} + \text{I} + \text{X} + \text{Y} + \text{Z}$$

where:

CPE = the capitalized pre-opening expenses for the Profitable OLSs

GFA = the gross fixed assets of the Profitable OLSs as of the CD

I = the inventories of the Profitable OLSs as of the opening of business on the CD that, as of that time, have not been sold by the Partnership but have been (or later are) paid

for by the Partnership

- X = a value (or a "zero" value, but in no event a negative value) that the LOS Partner, in its absolute discretion, attributes to the Other OLSs in its initiating offer
- Y = a value for the Outlets determined in accordance with Section 15.3 of this Agreement but without applying the 1.5 multiplier set forth in Section 15.3, provided that "Y" shall not be included in the formula unless the Article 14 procedure involves Partnership Interests rather than OLSs and the LOS Partner does not timely elect to acquire Outlets in accordance with Article 14 or 15
- Z = the assets of the Partnership as shown on its balance sheet (exclusive of any value for the Outlets and exclusive of any value for "I" or any gross fixed assets) less the balance sheet liabilities of the Partnership (but not any obligations to pay for inventory), provided that "Z" shall not be included in the formula unless the transaction involves Partnership Interests rather than OLSs (Note of explanation: "I" and "GFA" are excluded from the asset portion of the definition of "Z" in order that those assets not be "double counted" for Profitable OLSs and because they are not included in the Minimum Value for Other OLSs or Outlets. Obligations to pay for inventory have been excluded from the liability portion of the definition of "Z" in order that those liabilities not be "double counted".)

"CD" means the date of the closing of the transaction to which this Section 14.6 relates. That closing shall take place no later than 60 days after a Partner gives the other Partner the election that definitively determines which Partner will acquire the Subject Property. If the transaction is the purchase and sale of a Partnership Interest, "Profitable OLSs" means every OLS of the Partnership that (i) has had positive cumulative earnings since that store opened through the end of the Fiscal Year last preceding the LOS Partner's initiating notice, (ii) operated during that entire Fiscal Year and (iii) was profitable for that Fiscal Year. If the transaction is an acquisition of one or more OLSs, "Profitable OLSs" means those OLSs being acquired that meet all three tests set out in the previous sentence. If the transaction is the purchase and sale of a Partnership Interest, "Other OLSs" means every OLS of the Partnership that fails at least one of those three tests. If the transaction is an acquisition of one or more OLSs, "Other OLSs" means those OLSs being acquired that fail at least one of those three tests. The three tests shall be applied by using the figures generated in accordance with Section 8.3 of this Agreement. As a consequence of the definitions set out in this Subsection 14.6(c), if the LOS Partner invokes this Section 14.6, it may include in its Trigger Notice any value (but not a value less than zero) for any Other OLS (that is, any store that is not a Profitable OLS).

(d) In most instances, the Minimum Value will not be known when the LOS Partner initiates the Article 14 procedure. Likewise, the Minimum Value will not be known at the CD. Accordingly, in its Trigger Notice the LOS Partner need only specify that its Designated Value includes the Minimum Value (or, if it chooses, a value greater than the Minimum Value, whether that premium is expressed as a dollar figure or a percentage in excess of the Minimum Value) for each relevant Profitable Store, whatever that value may turn out to be. The LOS Partner may also not then know which OLSs are Profitable OLSs and which are Other OLSs. Accordingly, the LOS Partner may also choose to specify, in its Trigger Notice, an "X" (see the formula) for some or all

of the relevant OLSs should they turn out to be Other OLSs. To the extent that any cash is to be paid at the closing of the transaction, the amount of that cash shall be based on the Partners' estimate of the Designated Value.

(e) Then, within 45 days after the CD, the acquiring Partner shall deliver to the other Partner its proposed final price for the Subject Property and a statement showing the "GFA" and the "I" for each relevant OLS (and, if relevant, the "Z" for the Partnership) as of the CD (an "Asset Statement"). In addition, if the transaction involves a Partnership Interest and the LOS Partner timely elected to acquire the Outlets in accordance with Article 15, the Asset Statement shall include the information necessary to value the Outlets in accordance with Section 15.3 (in effect, combining this statement with the "Outlet Asset Statement" called for by Section 15.4). The Asset Statement shall be prepared in accordance with GAAP and Schedule 8.3 and shall be accompanied by a certificate to that effect signed by the chief financial officer of the Partnership. Within 45 days after the acquiring Partner delivers the Asset Statement, the other Partner shall either accept the Asset Statement or furnish the acquiring Partner with a statement setting forth whatever modifications that other Partner proposes to the Asset Statement. If that other Partner does not so respond within those 45 days, it shall be deemed to have accepted the Asset Statement. If that other Partner timely proposes modifications, it and the acquiring Partner shall attempt in good faith to resolve their differences. If the Partners do not resolve their differences within 30 days after the modifications are proposed, either Partner may invoke the procedures set forth in Section 20.2 of this Agreement to resolve those differences. When the contents of the Asset Statement have been finally resolved (whether by acquiescence, agreement or a third accounting firm), the Partners (and, if appropriate, the Partnership) shall make the appropriate reconciliation payments.

14.7 LOS Partner Offer that the Designs Partner Acquire.

(a) If the LOS Partner initiates the Article 14 procedure and offers to have the Designs Partner acquire the Subject Property, the Designated Value set forth in the LOS Partner's Trigger Notice need not meet the Minimum Value requirements. However, that notice shall specify whether, if the Designs Partner accepts that offer, it will acquire the Subject Property in accordance with clause (i) of Subsection 14.4(b) or clause (ii) of Subsection 14.4(b). The Designs Partner shall (i) accept that offer or (ii) based on a Designated Value offer that is lower than the Designated Value set forth in the LOS Partner's Trigger Notice (with that discount expressed as a dollar figure or a percentage that is lower than the Designated Value), offer both to (A) acquire the Subject Property and to (B) have the LOS Partner acquire the Subject Property. The Designs Partner must elect (i) or (ii). It may not do neither. It must make its election in writing and must do so within 120 days after the LOS Partner gives its Trigger Notice. If the Designs Partner elects to make the offers set forth in clause (ii) of this Subsection 14.7(a), its notice to the LOS Partner shall specify the "lower" figure referred to previously in this Subsection 14.7(a). In addition, if the Designs Partner makes that election and the transaction involves OLSs rather than Partnership Interests, the Designs Partner's election shall specify whether, if the LOS Partner acquires those OLSs, the LOS Partner shall do so in accordance with clause (i) of Subsection 14.4(a) or clause (ii) of Subsection 14.4(a). If the Designs Partner does not make a timely election, it shall be considered to have accepted the LOS Partner's offer that the Designs Partner acquire the Subject Property as set forth in clause (i) of this Subsection 14.7(a) and, if the offer involves OLSs, to have elected to effect the acquisition in accordance with clause (i) of Subsection 14.4(b). If the Designs Partner elects to make the offers set forth in clause (ii) of this Subsection 14.7(a), the LOS Partner shall have 120 days after the Designs Partner gives its notice to elect, in writing, to accept either (A) or (B) of that clause (ii). It may not do neither.

If the transaction involves OLSs rather than Partnership Interests and the LOS Partner elects (ii) (A), its acceptance shall specify whether the Designs Partner will acquire those OLSs in accordance with clause (i) of Subsection 14.4(b) or clause (ii) of Subsection 14.4(b). If the LOS Partner does not make a timely election, it shall be considered to have accepted the Designs Partner's offer to acquire the Subject Property (that is, (ii) (A) above) and, if the offer involves OLSs, to have elected that the acquisition be effected in accordance with clause (i) of Subsection 14.4(b). Following acceptance by the Designs Partner of the LOS Partner's initiating offer or acceptance by the LOS Partner of one of the Designs Partner's responsive offers, the Partners (and the Partnership, as appropriate) shall complete the steps described in Subsection 14.4(a) (under its clause (i) or (ii)), (b) (under its clause (i) or its clause (ii)), (c) or (d), as appropriate, based on the Designated Value and the manner of acquisition specified in (or for) the offer that was accepted. In addition, if the LOS Partner's Trigger Notice included an election that the LOS Partner acquire the Outlets in accordance with Article 15, the Partners and the Partnership shall simultaneously complete that transaction as well.

(b) By way of example, assume that the LOS Partner initiates the Article 14 procedure by offering to sell its Partnership Interest, specifying \$30 million as the Designated Value and also electing to acquire the Outlets under Article 15. Assume further that the Designs Partner does not accept the offer to buy the LOS Partner's Partnership Interest and instead specifies a \$26 million Designated Value in its responsive buy/sell offer under clause (ii) of Subsection 14.7(a). Finally, assume the LOS Partner elects to sell in its second notice. The Partners would then complete these transactions: The LOS Partner would sell its Partnership Interest to the Designs Partner for cash equal to \$7.8 million (that is, 30 percent of \$26 million) and the LOS Partner would acquire the Outlets for the price determined in accordance with Section 15.3.

14.8 Special Netting Rules. The pricing rules set forth in this Article 14 are subject to the special netting rules set forth in Section 18.12.

14.9 Affiliates as Purchasers. A Partner entitled to acquire one or more OLSs under this Article 14 may, if it chooses, elect instead that an Affiliate of that Partner (rather than that Partner) acquire the OLS or OLSs.

14.10 Stock Alternative. Rather than buy the Designs Partner's Partnership Interest under this Article 14, the LOS Partner may elect instead to buy all the shares of the Designs Partner. If the LOS Partner does buy the shares of the Designs Partner, then any amounts otherwise payable by the Partnership or the LOS Partner to the Designs Partner for any transactions completed under Article 14 or 15 simultaneously with or before that stock acquisition shall instead be paid to Designs.

ARTICLE 15 SPECIAL PURCHASE RIGHTS FOR OUTLETS

15.1 In General. At any time beginning January 30, 2000 and ending July 25, 2004 (but subsection to Section 15.5), the LOS Partner may acquire one or more Outlets in accordance with this Article 15. The LOS Partner may invoke this Article 15 on more than one occasion.

15.2 Procedure. In order to acquire Outlets under this Article 15, the LOS Partner shall give the Designs Partner a written notice specifying the Outlets which the LOS Partner will acquire. That notice shall specify a closing date for the transaction. That closing date shall be no later than 120 days after the LOS Partner gives it notice. However, if a procedure is then underway which could result in one of the Partners acquiring the other Partner's Partnership Interest or the notice initiating this Article 15 also commences an Article 14 procedure, the LOS Partner shall specify in its notice that the closing shall take place at the same time that a Partnership

Interest is acquired. Within 30 days after the LOS Partner gives its notice, the Designs Partner shall give the LOS Partner a written notice in which it elects whether the LOS Partner's acquisition of Outlets shall be effected in accordance with clause (a) below or clause (b) below:

(a) Under this clause: (i) the LOS Partner shall pay 70 percent of the Outlet Value (see Section 15.3) for the relevant Outlets to the Partnership in cash, (ii) the Partnership shall distribute that cash to the Designs Partner and (iii) the Partnership shall convey those Outlets to the LOS Partner.

(b) Under this clause: (i) notwithstanding the cash distribution rules set forth in Section 9.3, all subsequent distributions of Excess Cash by the Partnership shall be made to the Designs Partner until those distributions equal seven-thirds of the Outlet Value for the relevant Outlets and (ii) the Partnership shall convey those Outlets to the LOS Partner (it being understood that this conveyance shall not be postponed if and because the Partnership does not then have sufficient Excess Cash to satisfy part (i) of this sentence).

If the Designs Partner does not timely make that election, it shall be considered to have elected that the acquisition be effected in accordance with clause (a). If the LOS Partner acquires the shares of the Designs Partner before or at a time when any cash is otherwise required to be paid to the Designs Partner under Subsection 15.2(a) or (b), that payment shall instead be made to Designs by the LOS Partner.

15.3 Pricing. The Outlet Value shall equal:

$$1.5 (\text{CPE} + \text{GFA} + \text{I})$$

where

CPE = the capitalized pre-opening expenses of the relevant Outlet or Outlets

GFA = the gross fixed assets of the relevant Outlet or Outlets as of the opening of business on the date the Outlet acquisition closes

I = the inventories located at or already ordered for the relevant Outlet or Outlets as of the opening of business on that closing date which, as of that time, have not been sold by the Partnership but have been (or later are) paid for by the Partnership

If the LOS Partner acquires Outlets under this Article 15, it shall assume the obligations of the Partnership associated with the acquired Outlets (for example, lease obligations) that are first required to be performed after the acquisition is completed. However, notwithstanding anything to the contrary set forth in Section 15.3, the pricing for any acquisition of Outlets acquired by a Partner as part of an acquisition of a Partnership Interest under Article 16 shall be determined in accordance with Section 16.5.

15.4 Verification of Outlet Value. If the acquisition of Outlets is effected under Subsection 15.2(a), the LOS Partner shall pay the Partnership, in cash at closing, 70 percent of the Partners' estimate of the Outlet Value for the Outlets being acquired. Irrespective of whether the acquisition of Outlets is effected under Subsection 15.2(a) or 15.2(b), within 45 days after the LOS Partner acquires one or more Outlets, the LOS Partner shall deliver a statement to the Designs Partner setting forth, for each Outlet acquired, all the values needed to apply the formula in Section 15.3 (the "Outlet Asset Statement"). The

Outlet Asset Statement shall be certified by the Partnership's chief financial officer as having been prepared in accordance with generally accepted accounting principles but subject to the rules set forth on Schedule 8.3. Within 30 days after the LOS Partner delivers the Outlet Asset Statement, the Designs Partner shall (a) accept that statement or (b) furnish the LOS Partner with a statement objecting to one or more of the figures in the Outlet Asset Statement and the basis for its objections and/or requiring that one or more of the figures in the Outlet Asset Statement be audited. If the Designs Partner does not respond within those 30 days, the Designs Partner shall be considered to have accepted the Outlet Asset Statement. If the Designs Partner timely proposes modifications, the Partners shall attempt in good faith to resolve their differences. If the Partners do not resolve their differences within 30 days after the modifications are proposed, either Partner may invoke the procedures set forth in Section 20.2 of this Agreement to resolve those differences. When the contents of the Outlet Asset Statement have been finally resolved (whether by acquiescence, agreement or in accordance with Section 20.2), the Partners (and, if appropriate, the Partnership) shall make the appropriate reconciliation payments.

15.5 Termination of Rights. The LOS Partner may not give the Designs Partner a notice that the LOS Partner is buying Outlets under this Article 15: (a) in the case of an Article 14 procedure respecting Partnership Interests, after the time indicated for giving such a notice in Article 14; (b) after the Designs Partner has begun a procedure to buy the LOS Partner's Partnership Interest under Article 16 or (c) after 60 days before the Termination Date. Moreover, even if the LOS Partner has given the Designs Partner a notice that the LOS Partner is buying Outlets under Article 15, that acquisition shall be halted (assuming it has not been completed) if the Designs Partner initiates a procedure to buy the LOS Partner's Partnership Interest under Article 16.

15.6 Special Netting Rules. The pricing rules set forth in this Article 15 are subject to the special netting rules set forth in Section 18.12.

15.7 Affiliate as Purchaser. The LOS Partner may, if it chooses, elect that an Affiliate of the LOS Partner (rather than the LOS Partner) acquire one or more Outlets under this Article 15.

ARTICLE 16 TERMINATION EVENTS

16.1 In General. Article 14 permits a Partner to initiate a procedure to buy or sell Partnership Interests (or OLSs) beginning January 30, 2000. This Article 16 also permits purchases of Partnership Interests. However, this Article gives each Partner a right to buy the other Partner's Partnership Interest, both before and after January 30, 2000, but only after the occurrence of certain events. Those events are called "Termination Events".

16.2 Types of Termination Events. There are five types of Termination Events: "Material Breaches", "Fundamental Changes", "Reputation Events", "Bankruptcy Events" and "Unauthorized Terminations". Each of those terms is defined in the Glossary.

16.3 Partner Entitled to Buy. Subject to the other provisions of this Article 16 and the other Articles of this Agreement:

(a) If one Partner commits a Material Breach or effects or attempts to effect an Unauthorized Termination, the other Partner may buy that Partner's Partnership Interest.

(b) If a Reputation Event occurs with respect to a Partner or an Affiliate of a Partner, the other Partner may buy that Partner's Partnership Interest.

(c) If a Fundamental Change occurs with respect to a

Partner (including with respect to certain Affiliates of a Partner, as explained in the definition of "Fundamental Change" that appears in the Glossary), the other Partner may buy that Partner's Partnership Interest.

(d) If a Bankruptcy Event occurs with respect to a Partner (including with respect to certain Affiliates of the Partner, as explained in the definition of "Bankruptcy Event" that appears in the Glossary), the other Partner may buy that Partner's Partnership Interest.

A Partner entitled to buy the other Partner's Partnership Interest under this Article 16 is referred to as a "Purchasing Partner". The other Partner is referred to as a "Selling Partner". Subject to Section 16.6 of this Agreement, a Partner's failure to purchase a Partnership Interest under this Article 16 shall not deprive that Partner or any other Person of any remedy (including, without limitation, a claim for Damages) that otherwise arises from any Termination Event. Moreover, whether or not a Partner purchases the other Partner's Partnership Interest in response to a Material Breach, it and the Partnership shall have any and all remedies that are otherwise available to it (both a claim for Damages and for equitable relief) that result from that Material Breach.

16.4 Purchase Procedures. After a Termination Event and so long as that Termination Event has not been cured, the Purchasing Partner may give the Selling Partner a written notice stating that the Purchasing Partner intends to buy the Selling Partner's Partnership Interest under this Article 16. That notice shall describe the Termination Event and specify a closing date for the transaction. If the Purchasing Partner believes that more than one Termination Event has occurred, it may specify in its notice which Termination Event or Termination Events it is responding to. The closing date specified in the Purchasing Partner's notice shall be no later than 120 days after the Purchasing Partner gives its notice. If the Termination Event is not cured by the 45th day after the Purchasing Partner gives that notice, the Partners shall complete the sale of the Selling Partner's Partnership Interest to the Purchasing Partner on the date specified in the Purchasing Partner's notice. A Termination Event shall be considered "cured" if its adverse effects and anticipated adverse effects on the Partnership and its business and on the Purchasing Partner and the Affiliates of the Purchasing Partner have been cured or prevented, it being understood that some Termination Events may not be curable.

16.5 Payment and Price. The Purchasing Partner shall pay the purchase price for the Selling Partner's Partnership Interest when the transaction closes. The purchase price shall not be based upon any of the pricing rules set forth in Article 14 or Article 15. Rather, the purchase price shall consist of the assumption, by the Purchasing Partner, of all the liabilities of the Partnership (but without impact on the existing liabilities of the Selling Partner to the Partnership and to the Purchasing Partner, if any, namely, the liabilities of the Selling Partner to the Partnership and to the Purchasing Partner respecting actions and inactions that precede the closing under this Article 16), plus an amount, payable in cash, equal to:

(a) $PI \times NBV$

if the Termination Event is a Fundamental Change, a Bankruptcy Event or a Material Breach;

(b) $.85 \times PI \times NBV$

if the Termination Event is a Reputation Event and

(c) $.5 \times PI \times NBV$

if the Termination Event is an Unauthorized Termination.

where:

PI = the Selling Partner's Percentage Interest

NBV = the net book value of the Partnership's tangible assets plus the Partnership's cash, cash equivalents and receivables minus the Partnership's liabilities, all determined in accordance with GAAP as of the last day of the fiscal quarter last preceding the date that the Purchasing Partner gave its notice under Section 16.4 (except that "NBV" shall not be less than zero)

"NBV" shall be drawn from the relevant financial statements furnished by the Partnership under Section 8.2 of this Agreement, unless a Partner notifies the Partnership and the other Partner in writing within 45 days after receiving those financial statements that it objects to the relevant figures in those statements. The Partners shall attempt in good faith to resolve any such objections in good faith. If they do not succeed within 30 days after the objecting Partner gives its notice, they shall resolve their differences in accordance with Section 20.2 of this Agreement. Any other disagreement regarding the application of this Section 16.5 or any other matter implicated by this Article 16 shall be resolved as a "Controversy" under Section 20.1. A failure to resolve the amount of any Damages resulting from a Material Breach by the Selling Partner shall not delay the closing of the purchase and sale of the Selling Partner's Partnership Interest. Instead, the amount of Damages, if any, may be determined after that closing, in which case the Purchasing Partner may elect to deposit, in a third-party escrow pending resolution of its claim, the portion of the purchase price which equals the lesser of the amount of the Damages claimed and 20 percent of the purchase price.

16.6 The Discounts. As explained in Section 12.1, the Partners intend that this Agreement shall provide the exclusive means by which a Partner may unilaterally dissolve the Partnership. If a Partner nevertheless succeeds in taking such an action in contravention of this Agreement or even attempts to do so (what the Glossary defines as an "Unauthorized Termination"), the Purchasing Partner may not be able to prove the amount of related Damages suffered or likely to be suffered by the Partnership and its business, the Purchasing Partner or the Affiliates of the Purchasing Partner. In addition, if a Reputation Event occurs with respect to a Partner or an Affiliate of a Partner, the Purchasing Partner may not be able to prove the amount of related Damages suffered or likely to be suffered by the Partnership and its business, the Purchasing Partner or the Affiliates of the Purchasing Partner. Rather than impose those difficult, uncertain and expensive burdens on the Purchasing Partner, the Partners believe that the 15 percent discount reflected in Subsection 16.5(b) represents a reasonable estimate of the Damages likely to be incurred as a result of a Reputation Event and that the 50 percent discount reflected in Subsection 16.5(c) represents a reasonable estimate of the Damages likely to be incurred as a result of an Unauthorized Termination. The Partners believe, therefore, that the purchase option provided by this Article 16 and those discounts represent reasonable monetary remedies for the Purchasing Partner and all of its Affiliates under the circumstances indicated. Accordingly, that option and those discounts shall constitute the Purchasing Partner's and its Affiliates' sole monetary remedy for a Reputation Event or an Unauthorized Termination. Moreover, subject to the next sentence, the purchase option specified in Section 16.4 shall constitute the Purchasing Partner's and its Affiliates' sole remedy for a Fundamental Change. However, this Section 16.6 shall in no manner limit the Purchasing Partner's right to obtain injunctive or other non-monetary judicial relief or its arbitral equivalent, whether specific performance to require the sale of a Partnership Interest in accordance with Article 16, an injunction to prevent an Unauthorized Termination or otherwise.

16.7 Special Netting Rules. The pricing rules set forth in

this Article 16 are subject to the special netting rules set forth in Section 18.12.

16.8 Information. Each Partner shall provide the other Partner with current information that is not confidential and which bears on any event or development that constitutes, may constitute or could become a Bankruptcy Event respecting that Partner or any Person associated with that Partner identified in paragraphs (d), (e) or (f) (as appropriate) of the definition of "Bankruptcy Event" in the Glossary, a Fundamental Change respecting that Partner (including with respect to certain Affiliates of that Partner, as explained in the definition of "Fundamental Change" in the Glossary) or a Reputation Event respecting that Partner or any Affiliate of that Partner. Each Partner in all events shall promptly furnish the other Partner with:

(a) all proxy statements, registration statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Schedules 13D, 13G and 14D-1, and other documents filed with the Securities and Exchange Commission by or with respect to that Partner or any Person that Controls that Partner;

(b) all notices under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 filed or received by that Partner or any Person that Controls that Partner and

(c) all material pleadings in any bankruptcy and other actions and proceedings respecting that Partner or any Person associated with that Partner identified in paragraph (d), (e) or (f) (as appropriate) in the definition of "Bankruptcy Event" that appears in the Glossary.

ARTICLE 17 TERMINATION DATE PROCEDURES

17.1 In General. This Article 17 addresses what happens if the Partnership is dissolved because its term expires. That will happen when the Termination Date occurs, unless the Partnership has already been dissolved by then. If the Partnership is dissolved under this Article 17, the Partnership shall sell its assets and discharge or otherwise provide for its obligations and liabilities. It shall then distribute any remaining assets to the Partners.

17.2 Sale of Assets. If the Partnership is dissolved under this Article 17, it shall proceed as promptly as possible, albeit prudently, to sell all the Partnership Assets, whether to one purchaser or more than one purchaser, and ideally for cash, plus the assumption by the purchaser of the Partnership's and the Partners' obligations and liabilities. Either Partner may require that this sale or these sales be organized and conducted by a reputable and experienced liquidator (a "Liquidator"). However, in order to do so, a Partner must give the other Partner written notice to that effect before the Termination Date. If the Partners fail to agree on the identity of a Liquidator within 30 days after one Partner gives such a notice, the Liquidator shall be appointed in accordance with the procedures set forth in Section 20.2 of this Agreement, with the firm selected being experienced in liquidations and not necessarily an accounting firm. While the Partnership Assets are being sold, the business of the Partnership shall be continued with the unsold Partnership Assets in order to maintain their going concern value, to complete transactions in process and to perform and discharge the Partnership's obligations. During that period, the business and affairs of the Partnership shall continue to be governed by this Agreement.

17.3 Inside Bids. Subject to Section 17.4, either Partner and any Affiliate of either Partner may bid on and purchase any and all Partnership Assets offered for sale under this Article 17. However, again subject to Section 17.4, neither Partner and no Affiliate of either Partner shall have any special advantage in that process. The price and other features of any bid by a

Partner or Affiliate of a Partner shall be compared with the price and other features of all other bids as though the Partner or Affiliate were an "outside" bidder.

17.4 Special Treatment of Outlets. Notwithstanding any other provision of this Article 17, in connection with the Partnership's dissolution the LOS Partner shall be entitled to buy any or all of the Outlets from the Partnership at a price equal to the Outlet Value (see Section 15.3). In order to do that, the LOS Partner must give a written notice to the Designs Partner specifying the Outlet or Outlets it will buy. It must give that notice at least 60 days before the Termination Date.

17.5 Application of Proceeds. The net proceeds of all sales of Partnership Assets conducted under this Article 17 shall be distributed according to these priorities:

(a) first, to discharge or provide for all obligations and liabilities of the Partnership, including to Persons that are Affiliates of a Partner, but not to Partners themselves;

(b) then, to discharge or provide for all obligations and liabilities of the Partnership to the Partners (it being understood that a Partner may not cause an obligation or liability owed to it to be accorded the priority of Subsection 17.5(a) by assigning that obligation or liability to an Affiliate of that Partner) and

(c) then, to the Partners to the extent of the positive balances (if any) in their Capital Accounts.

For purposes of determining the amounts of any distributions under Subsection 17.5(c), if any Partnership assets are to be distributed in kind they shall be valued by the Liquidator and the Partners' Capital Accounts shall be adjusted in accordance with Subsection 9.1(d).

17.6 Restoration of Capital Accounts. This Section 17.6 shall apply after:

(a) in accordance with this Article 17, the Partnership has sold or distributed all Partnership Assets and discharged or provided for all Partnership obligations and liabilities;

(b) in accordance with Article 9, the Partnership has allocated all items of income, gain, loss and deduction, and made all required adjustments to Capital Accounts and

(c) all distributions to Partners required by Section 17.5 have been made.

If, thereafter, a Partner has a negative balance in its Capital Account, it shall contribute sufficient cash to the capital of the Partnership to eliminate that deficit. The amounts so contributed shall then be distributed as provided in Section 17.5.

17.7 Timing. The Partnership shall endeavor to complete the payments, distributions and contributions described in Sections 17.5 and 17.6 by the later of (a) the end of the Fiscal Year during which the Termination Date occurs and (b) 90 days after the Termination Date.

ARTICLE 18 CERTAIN CONSEQUENCES OF TRANSACTIONS

18.1 In General. This Article 18 sets forth additional rules and consequences of the various transactions covered by Articles 12 through 17 of this Agreement.

18.2 Transition Principles. The Partners recognize that implementation and completion of the various purchase, sale and dissolution procedures and transactions contemplated by those Articles could substantially disrupt the Partnership's business,

the Partnership's employees, customers and suppliers, and the Partnership's relationships with its employees, customers and suppliers. Those procedures and transactions could also adversely affect the Levi's(R) brand and the businesses and reputations of the Partners and their Affiliates. Accordingly, in implementing those procedures, the Partners and their Affiliates shall exercise their reasonable efforts to minimize the disruption and adverse effects, and to maintain and enhance the goodwill of all parties and the Levi's(R) brand. Out-of-pocket expenses, for that effort, shall be defrayed by the Partnership to the extent the Partnership has available cash. However, neither Partner shall be obligated to contribute cash to the Partnership in order to assist the Partnership to defray those expenses. The Partners shall, however, be obligated to perform their then-existing obligations. To accomplish the purposes of this Section 18.2 and also to implement Section 18.6 and deal with all other relevant issues, the Partners in good faith shall develop and implement a transition plan in connection with any such transaction. The business of the Partnership and all Stores, whether or not the subject of the pending transaction, shall at all times be operated in the ordinary course of business.

18.3 Cooperation to Close. At its own expense unless specified otherwise in an offer accepted in accordance with this Agreement, each Partner and each Affiliate of each Partner shall implement all the procedures and complete all the transactions required or permitted to be implemented and completed under Articles 12 through 17 of this Agreement. Without limitation, that shall include signing and delivering all documents, obtaining all consents from and making all filings with private and governmental third parties, and taking all other actions, both before and after a transaction closes, which are reasonably requested by the other Partner to effect or better memorialize that transaction or the various "transitions" connected with that transaction. Examples are recording memoranda of leases (or, if appropriate at the time, real estate deeds), obtaining consents from landlords and complying with the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

18.4 Impact on Status of Partnership. If one Partner buys the other Partner's Partnership Interest, whether under Article 13, 14 or 16, the Partnership shall then be dissolved. The Partnership shall also be dissolved, in this case on the Termination Date, if Article 17 applies. If a Partnership Interest is transferred under Section 12.4 or a Person other than a Partner buys a Partnership Interest under Article 13, the Partnership shall then be reconstituted and shall continue in accordance with the terms of this Agreement, with the non-transferring Partner and the transferee becoming the "Partners" of the reconstituted Partnership. If a Restricted Interest that is not a Partnership Interest is transferred under Section 12.4 or Article 13, the Partnership shall continue in existence. If one Partner acquires one or more OLSs under Article 14 but the Partnership retains any Partnership Assets, the Partnership shall also continue in existence. Likewise, if the LOS Partner acquires one or more Outlets under Article 15 but the Partnership retains any Partnership Assets, the Partnership shall continue in existence.

18.5 Certain Operational Issues. If the Designs Partner ceases to be a Partner, the Designs Partner shall cease rendering services to the Partnership at the time specified in, and otherwise in accordance with, the Administrative Services Agreement. Thirty days if and after the LOS Partner ceases to be a Partner, the LOS Partner shall cease providing the direction and assistance to the Partnership referred to in Section 6.5 of this Agreement.

18.6 Intellectual Property.

(a) Neither Designs nor any Affiliate of Designs may own or operate an OLS. Nor may Designs or any Affiliate of Designs operate an Outlet using the name "Levi's Outlet" (it being understood that, as explained in Subsection 10.1(b), there

are circumstances under which Designs may operate an Outlet using the name "Levi's Outlet by Designs"). Accordingly, if the Designs Partner or one of its Affiliates buys the LOS Partner's Partnership Interest, that shall terminate the LOS Sublicense Agreement. And, if the Designs Partner or one of its Affiliates acquires one or more OLSs from the Partnership, that shall terminate the LOS Sublicense Agreement with respect to those OLSs (but no other Stores). In either such case, the Designs Partner and its Affiliates shall then take all steps reasonably requested by the LOS Partner to effect the transition of all relevant Stores to a tradename and trade dress that is not covered by the LOS Sublicense Agreement. The Designs Partner and its Affiliates shall pay the costs of that transition.

(b) If the LOS Partner or one of its Affiliates buys the Designs Partner's Partnership Interest, that shall terminate the Designs License Agreement. And, if the LOS Partner or one of its Affiliates acquires one or more Stores from the Partnership, that shall terminate the Designs License Agreement with respect to those Stores (but no other Stores). In either such case, the LOS Partner and its Affiliates shall then take all steps reasonably requested by the Designs Partner to effect that termination. The LOS Partner and its Affiliates shall pay the costs of that transition.

18.7 Product Supply.

(a) If and after the Designs Partner acquires the LOS Partner's Partnership Interest or one or more OLSs, LS&CO. shall accord all the Stores so acquired by the Designs Partner the same treatment with respect to product supply, distribution policies and trademark usage as LS&CO. then and thereafter accords LS&CO.'s other accounts in the LS&CO. "tier" or other account segment in which those Stores are classified.

(b) If, as a result of one or more transactions effected under this Agreement, the ownership of any OLS and the ownership of any Outlet diverge (for example, the Partnership retains the Outlet but the Designs Partner acquires the OLS or because the Partnership retains the OLS but the LOS Partner acquires the Outlet), product supply arrangements regarding that OLS and that Outlet shall be governed by whatever policies or arrangements would have applied had that ownership diverged from the outlet.

18.8 Title. Except as otherwise specified in an offer accepted in accordance with this Agreement, when a Partner or Designs sells a Restricted Interest or the Partnership distributes one or more Stores under Article 13, 14, 15, 16 or 17 of this Agreement, it shall furnish the transferee with good title to that Restricted Interest or those Stores free of all Liens other than any continuing restrictions imposed by this Agreement.

18.9 Expenses. Except as otherwise specified in an offer accepted in accordance with this Agreement, the expenses associated with transactions effected under Article 14 of this Agreement shall be split equally between the LOS Partner and the Designs Partner. The LOS Partner shall pay the expenses associated with a transaction effected under Article 15. The expenses associated with a transaction effected under Article 16 of this Agreement shall be paid by the seller. The "expenses" referred to in this Section 18.9 are such expenses as filing fees (including, for example, filing fees under the Hart-Scott-Rodino Antitrust Improvements Act of 1976), recording fees and transfer (but not income) taxes. They do not include the fees and costs of financial advisors, consultants, attorneys, accountants and other professionals. Those latter items shall be paid by the Person that incurred them unless and to the extent specified otherwise in an offer accepted in accordance with this Agreement.

18.10 Assumptions. At the closing of any transaction that reconstitutes the Partnership with a new "Partner" (see Section 18.4), the new Partner shall agree in writing to perform all the obligations of a Partner under this Agreement and the

Participation Agreement from and after that closing. At that same time, any and all Persons that Control that new Partner shall agree in writing to be bound by obligations of the same tenor as those imposed by Article 7 of the Participation Agreement.

18.11 Indemnification. Except as otherwise specified in an offer accepted in accordance with this Agreement:

(a) if a Partner or its permitted assignee buys the other Partner's Partnership Interest under this Agreement, the purchasing Partner and its assignee (if any) shall indemnify the selling Partner and its Affiliates and hold the selling Partner and its Affiliates harmless from and against any and all Damages that are attributable to actions or inactions that occur after that purchase is completed and which arise from the business that had been the Partnership's business, as that business may have been expanded, contracted or modified after that purchase;

(b) if a Partner or its permitted assignee buys the other Partner's Partnership Interest under Article 16 of this Agreement, the Purchasing Partner and its assignee (if any) shall indemnify the Selling Partner and its Affiliates with respect to all obligations and liabilities assumed by the Purchasing Partner or its assignee as required by Section 16.5 of this Agreement and

(c) if a Partner acquires one or more Stores from the Partnership under this Agreement, the acquiring Partner shall indemnify the other Partner, its Affiliates and the Partnership and hold them harmless from and against all Damages that are attributable to actions or inactions that occur after that acquisition is completed and which arise from that Store or Stores or from the business conducted at that Store or Stores.

18.12 Special Netting Rules. Subsections 14.4(a)(ii), 14.4(b)(ii) and 15.2(b) describe circumstances in which the Partnership will be required to distribute Excess Cash other than in proportion to the Partners' Partnership Interests. If multiple transactions under one or more of those subsections gives rise to a distribution preference to each Partner, those preferences shall be netted, with the difference being distributed to the Partner entitled to the larger preference. In addition, if one Partner acquires the other Partner's Partnership Interest at a time when any such preference or net preference remains unpaid, the purchase price for the Partnership Interest shall be adjusted to reflect that preference. For example, if the Designs Partner buys the LOS Partner's Partnership Interest and the Partnership is obligated to make \$500,000 of special distributions of Excess Cash to the Designs Partner as a result of an earlier transaction under Subsection 14.4(a)(ii), 14.4(b)(ii) or 15.2(b), the purchase price for the Partnership Interest shall be reduced by \$500,000 and the net amount shall be paid by the appropriate Partner to the appropriate Partner. Accordingly if, as a result of such reduction, the price shall be negative in this example, the LOS Partner shall pay the negative amount to the Designs Partner. By way of further example, if the LOS Partner buys the Designs Partner's Partnership Interest and the Partnership is obligated to make \$1 million of special distributions of Excess Cash to the Designs Partner as a result of an earlier transaction under Subsection 14.4(a)(ii) or 14.4(b)(ii), the purchase price for the Partnership Interest shall be increased by \$1 million.

ARTICLE 19 OTHER INDEMNIFICATIONS

19.1 By the Partnership. Without recourse to the Partners, the Partnership shall indemnify each member of its Management Committee and the Partnership's senior managers and hold them harmless from and against all Damages arising from their actions and inactions in those capacities to the maximum extent that a Delaware corporation is then permitted to indemnify its directors and officers under the Delaware GCL. Also without recourse to the Partners, the Partnership shall advance related defense expenses to the maximum extent then permitted by the Delaware GCL

for such directors and senior managers. In addition, the liability of members of the Management Committee for their actions and inactions in that capacity shall be limited by the same principles that Section 102(b)(7) of the Delaware GCL or any successor to that Section authorizes be included in the certificate of incorporation of a Delaware corporation.

19.2 By a Partner. Subject to the principles set forth in Section 16.6 of this Agreement, each Partner shall indemnify the Partnership, the other Partner and the other Partner's Affiliates and hold them harmless from and against all Damages arising out of any breach of any covenant of that Partner contained in this Agreement or the gross negligence or willful misconduct of that Partner or any Affiliate of that Partner respecting the Partnership.

19.3 Indemnification Rules. Indemnification under this Article 19 and under Article 18 shall be governed by the rules set forth in Schedule 19.3 to this Agreement.

ARTICLE 20 DISPUTE RESOLUTION

20.1 Controversies. Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of the Partners including, if other efforts fail, a face-to-face meeting between a senior manager of the LOS Partner and a senior manager of the Designs Partner. If any Controversy is not settled by such efforts within 30 days after one of the Partners requests such a meeting, either Partner shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If the Designs Partner initiates arbitration, the arbitration shall be conducted in whichever of Columbus, Ohio or San Francisco, California the LOS Partner chooses. If the LOS Partner initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any arbitration proceeding, payments not in dispute shall continue to be made and obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be the Partners' and their Affiliates' exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on the Partners and their Affiliates. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, any party to the arbitration may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief.

20.2 Certain Accounting Matters. In the case of any unresolved matter that this Agreement directs be resolved in accordance with this Section 20.2, that matter (but no other matter) shall be resolved by an accounting firm that shall be jointly selected by the accounting firms normally used by the Partners. Those accounting firms shall be instructed to select that third firm within 10 days after either Partner invokes this Section 20.2. The third accounting firm so chosen shall be instructed to resolve the matter in controversy within 30 days after it is selected or as soon thereafter as is reasonable. The Partners and the Partnership shall furnish that third accounting firm with all information it may reasonably request in order to perform its task and meet that schedule. That firm's resolution of the open issues shall bind both Partners and their Affiliates. Each Partner shall pay half of the fees and expenses of that accounting firm.

ARTICLE 21 MISCELLANEOUS

21.1 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the permitted successors, assigns and legal representatives of the Partners. However, the Partners shall not assign any of their rights or delegate any of their duties under this Agreement except as expressly provided in this Agreement. Any purported assignment or delegation in violation of this Agreement shall be void.

21.2 Amendments. All amendments to this Agreement must be in writing and be signed by both Partners and the Partnership. Either Partner may, by written instrument, waive compliance by the other Partner with any of the covenants made for its benefit by the other Partner. Both Partners may, by written instrument, waive compliance by the Partnership with any of the Partnership's covenants in this Agreement.

21.3 Notices. All notices under this Agreement shall be in writing and shall be deemed to have been duly given only if and when delivered by hand, by overnight delivery service or by telecopier, in all cases with receipt confirmed, to the appropriate addressees and the addresses or telecopier numbers set forth below, or to such other addressees, addresses or telecopier numbers as may be designated by notice given in accordance with this section:

If to the Designs Partner:
Designs JV Corp.
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: Chief Executive Officer
Facsimile: (617) 734-3406

with a copy to:

Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: General Counsel
Facsimile: (617) 734-3406

If to the LOS Partner:

LDJV Inc.
c/o Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attention: President
Facsimile: (614) 228-5769

with a copy to:

Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, California 94111
Attention: General Counsel/LOS
Facsimile: (415) 544-7650

If to the Partnership:

The Designs/OLS Partnership
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: General Counsel

21.4 Interest Reduction. Nothing in this Agreement shall require the payment of any interest, expense or other charge by any party which, when combined with all other interest, expenses and charges directly or indirectly paid by that party or imposed by any party as a condition to the extension of credit, shall exceed the highest lawful rate permissible under any applicable law. If, but for this provision, this Agreement would require any payment in excess of any such highest lawful rate, this Agreement shall automatically be considered amended so that all interest, charges, expenses and other payments required under this Agreement or so imposed, both individually and in the aggregate, shall be equal to, but no greater than, the highest lawful rate.

21.5 Partnership as Signatory. Promptly after the Partners sign this Agreement, they shall also sign this Agreement on behalf of the Partnership. The effect of their doing so shall be to confer on the Partnership the right to enforce this Agreement against either or both Partners and to confer on the Partners the right to enforce this Agreement against the Partnership. Decisions regarding the exercise of the Partnership's rights shall be made in accordance with Section 5.11.

21.6 Counterparts. This Agreement may be signed in one or more counterparts. Each counterpart shall be deemed an original of this Agreement.

21.7 Entire Agreement. This Agreement (including the Schedules to this Agreement) and the other Transaction Documents contain all the understandings between and among the Partners and their Affiliates with respect to their subject matter. They supersede all prior and contemporaneous agreements and understandings among those parties relating to that subject matter.

21.8 Expenses. Each party shall pay its own expenses incurred in negotiating and drafting this Agreement and the other Transaction Documents and in effecting the Closing.

21.9 Third Party Beneficiaries. The Partners and the Partnership may enforce this Agreement. In addition, the Affiliates of the Partners may enforce this Agreement, but only with respect to the covenants which, by their terms, "run" to the benefit of Affiliates. Otherwise, this Agreement shall have no third party beneficiaries.

21.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts entered into and to be performed within Delaware by Delaware residents.

* * *

The Partners have signed and delivered this Agreement as of the date that appears in its first paragraph.

DESIGNS JV CORP.

By /s/ Joel Reichman
Joel Reichman,
President

LDJV INC.

By /s/ Edward T. Murphy

Edward T. Murphy,
President

The Partnership's signature below has the effects set forth in
Section 21.5 of this Agreement.

THE DESIGNS/OLS PARTNERSHIP

By Designs JV Corp., a Partner

By /s/ Joel Rechman
Joel Reichman,
President

By LDJV Inc., a Partner

By /s/ Edward T. Murphy
Edward T. Murphy,
President

PARTNERSHIP AGREEMENT
of
THE DESIGNS/OLS PARTNERSHIP

between
LDJV INC.
and
DESIGNS JV CORP.

dated as of
January 28, 1995

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GLOSSARY

The following terms have the following meanings wherever they appear in a Transaction Document (as defined here) with initial capital letters, but not when they appear without initial capital letters. Those meanings shall be equally applicable to both the singular and the plural forms of the terms defined. References to an agreement or other document in this Glossary include that agreement or other document as it may be amended or supplemented from time to time.

"Accountants" means the firm of certified public accountants appointed from time to time to serve as the Partnership's independent auditors in accordance with Section 8.1 of the Partnership Agreement. The Accountants shall be one of the "big six" accounting firms or a successor of any such firm, provided that, when appointed, the firm is not involved in an adversary proceeding against Designs or an Affiliate of Designs.

"Administrative Services Agreement" means the Administrative Services Agreement between Designs and the Partnership signed and delivered at the Closing.

"Affiliate" means, with respect to any Person, any other Person which directly or indirectly Controls, is Controlled by, or is under common Control with, the specified Person. However, the Partnership shall not be considered an "Affiliate" of either Partner or of any Affiliate of either Partner. Moreover, no stockholder of LSAI (in that capacity) shall be considered an "Affiliate" of LSAI or of any entity that LSAI Controls. However if, at any time, LSAI no longer Controls the LOS Partner, there shall be no analogous "exclusion" respecting any Person that thereafter Controls the LOS Partner. Similarly, no stockholder of Designs (in that capacity) shall be considered an "Affiliate" of Designs or of any entity that Designs Controls. However if, at any time, Designs no longer Controls the Designs Partner, there shall be no analogous "exclusion" respecting any Person that thereafter Controls the Designs Partner.

"Asset Statement" has the meaning set forth in Subsection 14.6(e) of the Partnership Agreement.

"Bankruptcy Event" means the occurrence of any one or more of the following:

(a) the filing against a Partner of a bankruptcy petition or other action seeking any reorganization, composition, liquidation or similar relief under the United States Bankruptcy Code or similar statute or law of the United States or any other jurisdiction, which remains undismissed and unstayed for a total of 90 days;

(b) the entry of a decree or other court order for the appointment of a receiver, custodian, liquidator or trustee of a Partner or all or any substantial part of its Property, or for the winding up or liquidation of its affairs, which remains undischarged and unstayed for a total of 90 days;

(c) the filing by a Partner of a voluntary bankruptcy petition under the United States Bankruptcy Code or an answer or consent acquiescing to an order for relief as to such Partner in any case under the United States Bankruptcy Code or similar statute or law of the United States or any other jurisdiction, the consent by a Partner to the appointment of a receiver, custodian, liquidator or trustee for it or all or any substantial

part of its Property, or the admission by a Partner in writing of its inability to pay any substantial part of its debts when they become due;

(d) with respect to the Designs Partner, any of the actions or events referred to in paragraphs (a) through (c) of this definition involving Designs or any Person that Designs Controls (but only if that Person Controls the Designs Partner);

(e) the acceleration of any Debt of Designs or of any Affiliate of Designs in excess of \$5 million or

(f) with respect to the LOS Partner, any of the actions or events referred to in paragraphs (a) through (c) of this definition involving LSAI or any Person that LSAI Controls (but only if that Person Controls the LOS Partner).

Notwithstanding the foregoing, an event or circumstance that would otherwise be a "Bankruptcy Event" with respect to a Partner or an Affiliate of a Partner shall not be a Bankruptcy Event if it is caused by the failure of the other Partner or any Affiliate of the other Partner to perform one or more obligations under any Transaction Document. If, at any time, Designs no longer Controls the Designs Partner, the principles reflected in paragraphs (d) and (e) of this definition shall thereafter apply to all Persons that Control the Designs Partner. If, at any time, LSAI no longer Controls the LOS Partner, the principles reflected in paragraph (f) of this definition shall thereafter apply to all Persons that Control the LOS Partner.

"Base Rate" means the "base" or "reference" rate of interest quoted, from time to time, by Bank of America, N.T. & S.A. at its headquarters in San Francisco, California. Any interest rate specified in a Transaction Document based upon the "Base Rate" shall be adjusted, from time to time, whenever the Base Rate changes.

"Business Plan" means a business plan for the Partnership approved as provided in Article 7 of the Partnership Agreement.

"Capital Account" means a capital account for each Partner established on the books of the Partnership in accordance with Section 9.1 of the Partnership Agreement.

"Carrying Value" means, with respect to any Partnership Asset, that asset's adjusted basis for federal income tax purposes except as follows:

(a) the initial Carrying Value of any asset contributed to the Partnership shall be its gross fair market value, as agreed to by the Partners at the time of the contribution;

(b) the Carrying Value of all Partnership Assets shall be adjusted to equal their respective gross fair market values upon any election by the Partnership under Treasury Regulations Section 1.704-1(b)(2)(iv)(f) to adjust the Partners' Capital Accounts and

(c) if the Carrying Value of an asset has been determined under paragraph (a) or (b) above, it thereafter shall be adjusted by the depreciation or amortization taken into account for that asset in computing Profits and Losses.

"CD" has the meaning set forth in Subsection 14.6(c) of the Partnership Agreement.

"Chair" has the meaning contemplated by Section 5.3 of the Partnership Agreement.

"Closing" means the signing and delivery of the Transaction Documents and the formation and initial capitalization of the Partnership. The Closing shall be deemed to occur as of the close of business on the Closing Date.

"Closing Date" means January 28, 1995.

"Code" means the United States Internal Revenue Code of 1986, as amended, and any successor statute.

"Confidential Information" has the meaning set forth in Article 12 of the Participation Agreement.

"Consultant" means the architectural consulting firm or firms appointed from time to time by the Management Committee to assist the Partnership in siting, designing, developing and constructing OLSs, Outlets or both. Unless and until a new consultant is appointed for such purpose, Bergmeyer Associates, Inc. is appointed as the initial Consultant for the OLSs.

"Contracts" has the meaning set forth in Subsection 2.1(c) of the Participation Agreement.

"Contributed Assets" has the meaning set forth in Section 2.1 of the Participation Agreement.

"Contributed Asset Statement" has the meaning set forth in Subsection 2.3(c) of the Participation Agreement.

"Control", as applied to any Person, means (and the terms "Controls", "Controlling", "Controlled by" and "under common Control with" refer to) the direct or indirect ownership of stock or other equity interests, or contract or other rights, in any such case entitling their holder to elect at least 50 percent of the directors or similar functionaries of that Person. However, except for purposes of the definition of "Fundamental Change", no Person shall be considered to Control LSAI or Designs. If, at any time, LSAI no longer Controls the LOS Partner, all Persons which then and thereafter meet the criteria of the first sentence of this definition with respect to the LOS Partner shall for all purposes be considered to Control the LOS Partner unless the basis for that Control is ownership of equity securities registered under Section 12 of the Exchange Act. Likewise if, at any time, Designs no longer Controls the Designs Partner, all Persons which then and thereafter meet the criteria of the first sentence of this definition with respect to the Designs Partner shall for all purposes be considered to Control the Designs Partner unless the basis for that Control is ownership of equity securities registered under Section 12 of the Exchange Act.

"Controversy" means any dispute or claim involving the rights, obligations or liabilities of any party under the Transaction Document in which that term appears. However, "Controversy" shall not include any dispute which a Transaction Document specifies will be resolved by or referred to a liquidator, accounting firm, mediator or other expert or specialist. Moreover, if the Transaction Document in question is the Partnership Agreement, any failure of the Management Committee to approve any matter submitted to it for approval shall not be deemed to have created a "Controversy".

"Covered Employees" has the meaning set forth in Section 4.10 of the Participation Agreement.

"Cure Loan" has the meaning set forth in Section 4.3 of the Partnership Agreement.

"Damages" means all losses, liabilities, damages, deficiencies, judgments, assessments, interests, penalties, fines, costs and expenses (including, without limitation, fees, disbursements and other charges of attorneys, accountants, consultants, experts and other professionals and irrespective of whether any underlying liability is established). However, the term "Damages" shall not include any punitive, exemplary or similar damages.

"Debt" means, with respect to any Person, all obligations of that Person at any time due: (a) for borrowed

money; (b) evidenced by bonds, debentures, notes or similar instruments; (c) under any lease required to be accounted for under GAAP as a capital lease; (d) under any real estate lease, whether or not required to be accounted for under GAAP as a capital lease; (e) in respect of any letters of credit, bankers' acceptances or similar financial "products" or (f) in the nature of a suretyship, guarantee or endorsement. In addition, "Debt" of a Person shall include any obligation or liability of a person or entity, other than that Person, which is secured by a Lien on any asset owned by that Person, whether or not that obligation or liability is assumed, to the extent of the lesser of the amount of the obligation or liability and the fair market value of the asset.

"Defaulting Partner" has the meaning set forth in Section 4.3 of the Partnership Agreement.

"Delaware GCL" means the Delaware General Corporation Law, as that statute may be amended from time to time.

"Delaware UPA" means the Delaware Uniform Partnership Act, as that statute may be amended from time to time.

"Designated Trade Dress" means a trade dress used at a store that includes any or all of the items (or any items that are substantially similar to any or all of the items) which are identified as part of the "Trade Dress" on Exhibit B to the LOS Sublicense Agreement, as that list of items may be modified, from time to time, in accordance with the procedures specified in Section 5 of that Agreement.

"Designated Value" has the meaning set forth in Section 14.2 of the Partnership Agreement.

"Designs" means Designs, Inc., a Delaware corporation.

"Designs License Agreement" means the License Agreement between Designs and the Partnership signed and delivered at the Closing.

"Designs Partner" means Designs JV Corp., a Delaware corporation.

"Designs Party" means Designs or the Designs Partner and "Designs Parties" means Designs and the Designs Partner.

"Designs Restricted Interest" means the Partnership Interest issued to the Designs Partner and the capital stock of the Designs Partner.

"Designs Transferor" has the meaning set forth in Section 13.1 of the Partnership Agreement.

"Excess Cash" shall be determined annually but with reference to 18-month periods. The first such determination shall be made promptly after the Management Committee approves the Business Plan for the 1997 Fiscal Year and preliminary results are available for the 1996 Fiscal Year. That determination shall be made with reference to the 18-month period ending on the last day of the second quarter of the Partnership's 1998 Fiscal Year. The second such determination shall be made promptly after the Management Committee approves the Business Plan for the 1998 Fiscal Year and preliminary results are available for the 1997 Fiscal Year. That determination shall be made with reference to the 18-month period ending on the last day of the second quarter of the Partnership's 1999 Fiscal Year. That timing and "pattern" shall repeat thereafter. "Excess Cash", for any such 18-month period, shall equal:

$$\text{COH} + \text{R} - \text{IP} - \text{OE} - (1.1 \times \text{CE}) - \$250,000$$

where

COH = the Partnership's cash and cash equivalents at the beginning of the 18-month period

R = the Partnership's projected revenues (of all types) for that 18-month period, as reflected in the most recently-approved Business Plan (the Business Plan for the 1997 Fiscal Year for the 18-month period ending at the end of the second quarter of the 1998 Fiscal Year; the Business Plan for the 1998 Fiscal Year for the 18-month period ending at the end of the second quarter of the 1999 Fiscal Year; etc.)

IP = the Partnership's projected inventory purchases for that 18-month period

OE = the Partnership's projected cash operating expenditures for that 18-month period

CE = the Partnership's projected capital expenditures (whether for new OLSs or Outlets, refurbishing existing OLSs or Outlets or otherwise) for that 18-month period

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fiscal Year" means the fiscal year of the Partnership, which shall be the same as the fiscal year of Designs for so long as Designs is a partner of the Partnership. At present, Designs' fiscal year begins on the Sunday immediately following the Saturday closest to January 31 of each year. If and after Designs ceases to be a partner of the Partnership, the Management Committee shall select the Fiscal Year.

"Fundamental Change" means, with respect to a Partner, the occurrence of any one or more of (a) through (f):

(a) that Partner or any Person that Controls that Partner is merged or consolidated with another Person (irrespective of which entity is merged into or consolidated with which), after which that Partner is Controlled by a Person or Group that had not Controlled that Partner before the merger or consolidation;

(b) any Person or Group acquires or otherwise attains "beneficial ownership" of at least 50 percent of the outstanding voting securities of any Person which Controls that Partner (with "beneficial ownership" having the meaning given it in Section 13(d)(1) of the Exchange Act and Rule 13d-3 adopted under that Act);

(c) both (i) the members of Designs' Board of Directors when the Partners formed the Partnership (together with any new directors whose election or nomination was approved by a majority of the directors then still in office who were directors when the Partners formed the Partnership) cease for any reason to comprise at least a majority of the Designs' Board of Directors and (ii) any Person or Group acquires or otherwise attains "beneficial ownership" of at least 30 percent of the outstanding voting securities of any Person which Controls the Designs Partner (with "beneficial ownership" having the meaning given it in Section 13(d)(1) of the Exchange Act and Rule 13d-3 adopted under that Act);

(d) both (i) the members of LSAI's Board of Directors when the Partners formed the Partnership (together with any new directors whose election or nomination was approved by a majority of the directors then still in office who were directors when the Partners formed the Partnership) cease for any reason to comprise at least a majority of the LSAI's Board of Directors and (ii) any Person or Group acquires or otherwise attains "beneficial ownership" of at least 30 percent of the outstanding voting securities of any Person which Controls the LOS Partner (with "beneficial ownership" having the meaning given it in

Section 13(d)(1) of the Exchange Act and Rule 13d-3 adopted under that Act);

(e) that Partner or any Affiliate of that Partner completes a merger, a consolidation or a stock or assets transaction and more than 40 percent of the revenues (determined in accordance with GAAP), for the four full calendar quarters last preceding the transaction, of all the entities (including that Partner) whose results are consolidated for financial reporting purposes after the transaction, were derived from sources other than sales of apparel or apparel-related accessories or

(f) that Partner or Affiliates of that Partner, whether in one or a series of transactions, sell or otherwise transfer all or substantially all of their assets other than in the ordinary course of business (with all the assets of the Partner and of all its Affiliates combined, for this purpose, in order to determine whether "all or substantially all of their assets" have been sold or transferred).

Notwithstanding the foregoing:

(g) Under no circumstances shall the ownership of shares of LSAI or of any other Person by any of the following result in a "Fundamental Change" respecting the LOS Partner: (i) any present stockholder of LSAI; (ii) any Person who is presently a "Permitted Transferee" under the LSAI Class L Stockholders Agreement dated April 30, 1991; (iii) any person who becomes such a "Permitted Transferee" under that agreement, as that agreement may be replaced or amended from time to time or (iv) any trust or similar "vehicle" under any benefit plan in which any present or future employees of LS&CO. or of any Affiliate of LS&CO. participate.

(h) Under no circumstances shall the ownership of shares of Designs or of any other Person by any of the following result in a "Fundamental Change" respecting the Designs Partner: (i) any person who was an executive officer or director of Designs on the Closing Date or (ii) any trust or similar "vehicle" under any benefit plan in which any present or future employees of Designs or of any Affiliate of Designs participate.

(i) Paragraphs (a) and (b) above shall not apply to transactions or events that do not result in a change of "ultimate" Control of the Partner in question. For example, if Designs transfers the ownership of its stock in the Designs Partner to a wholly-owned subsidiary of Designs, that transfer shall not be treated as a Fundamental Change respecting the Designs Partner. Although, in that case, a Person (the wholly-owned subsidiary) will have acquired beneficial ownership of at least 50 percent of the voting securities of a Person that Controls the LOS Partner, ultimate Control of the LOS Partner will still reside in Designs.

(j) The first (but only the first) purchase of a Designs Restricted Interest under Article 13 of the Partnership Agreement shall not constitute a Fundamental Change with respect to the Designs Partner. See Subsections 11.3(a)(iii) and (iv) of the Partnership Agreement.

In addition:

(k) If, at any time, LSAI no longer Controls the LOS Partner, then, for purposes of this definition of "Fundamental Change" but subject to paragraph (i) above, all references to "LSAI" shall be considered references to any Person which Controls the LOS Partner.

(l) If, at any time, Designs no longer Controls the Designs Partner, then, for purposes of this definition of "Fundamental Change" but subject to paragraph (i) above, all references to "Designs" shall be considered references to any Person which Controls the Designs Partner.

"GAAP" means generally accepted United States accounting principles and practices consistently applied from period to period and from date to date.

"Glossary" means this Glossary, as it may be amended, from time to time, in accordance with its last paragraph.

"GM" means the General Manager of the Partnership contemplated by Section 6.2 of the Partnership Agreement.

"Group" means two or more Persons acting in concert in the manner and for any of the purposes contemplated by Section 13(d)(3) of the Exchange Act. However, contrary to that Section 13(d)(3), this "Group" concept shall apply to the securities of an entity even if it does not then have any securities registered under the Exchange Act.

"Leases" has the meaning set forth in Subsection 2.1(a) of the Participation Agreement.

"Lien" means any mortgage, deed of trust, security interest, retention of title or lease for security purposes, pledge, charge, encumbrance, claim, easement, right of way, covenant, restriction, leasehold interest or other right of any kind of any Person in or with respect to any Property.

"Liquidator" has the meaning set forth in Section 17.2 of the Partnership Agreement.

"LOS Inc." means Levi's Only Stores, Inc., a Delaware corporation.

"LOS License Agreement" means the Sublicense Agreement between LOS Inc. and the LOS Partner signed and delivered at the Closing.

"LOS Partner" means LDJV Inc., a Delaware corporation.

"LOS Party" means LSAI, LS&CO., LOS Inc. or the LOS Partner and "LOS Parties" means LSAI, LS&CO., LOS Inc. and the LOS Partner.

"LOS Restricted Interest" means the Partnership Interest issued to the LOS Partner, the capital stock of the LOS Partner and the capital stock of LOS Inc.

"LOS Sublicense Agreement" means the Sublicense Agreement between the LOS Partner and the Partnership signed and delivered at the Closing.

"LSAI" means Levi Strauss Associates Inc., a Delaware corporation.

"LS&CO." means Levi Strauss & Co., a Delaware corporation.

"Major Actions" has the meaning set forth in Section 5.9 of the Partnership Agreement.

"Management Committee" has the meaning set forth in Article 5 of the Partnership Agreement.

"Material Breach" means a material breach of the Partnership Agreement by a Partner. However, none of the following shall be considered a Material Breach (as contrasted with a "material breach" under common law) for purposes of Article 16 or any other Article of the Partnership Agreement: a Bankruptcy Event, a Reputation Event, an Unauthorized Termination or any breach of Articles 11 through 18 of the Partnership Agreement (including any breach by any Affiliate of any Partner by virtue of Article 8 of the Participation Agreement). Nothing in this definition or in this or any other Transaction Document shall be construed as implying that a Bankruptcy Event or a Reputation Event is a breach of any Transaction Document. Moreover, a Fundamental Change that does not violate a specific

provision of the Partnership Agreement or the Participation Agreement shall not be considered a breach of any Transaction Document.

"Minimum Value" has the meaning set forth in Subsection 14.6(a) of the Partnership Agreement.

"Non-Defaulting Partner" has the meaning set forth in Section 4.3 of the Partnership Agreement.

"OLS" means a retail store that: (a) sells only Levi's(R) adult jeans and jeans-related products, (b) does so under the name "The Original Levi's(R) Store" and (c) uses some or all of the elements of the Designated Trade Dress.

"OLS Opportunity" has the meaning set forth in Subsection 10.3(a) of the Partnership Agreement.

"Original Stores" has the meaning set forth in Subsection 2.1(a) of the Participation Agreement.

"Other OLSs" has the meaning set forth in Subsection 14.6(c) of the Partnership Agreement.

"Outlet Asset Statement" has the meaning set forth in Section 15.4 of the Partnership Agreement.

"Outlet Opportunity" has the meaning set forth in Subsection 10.3(b) of the Partnership Agreement.

"Outlets" means a retail store that sells only close-out, slow-moving and end-of-season Levi's(R) adult jeans and jean-related products. However, "Outlets" shall not include any store at which Designs was selling such products in the Territory as of the Closing Date or for which Designs had signed a lease as of the Closing Date.

"Outlet Value" has the meaning set forth in Section 15.3 of the Partnership Agreement.

"Participation Agreement" means the Participation Agreement signed and delivered by the Designs Partner, Designs, the LOS Partner, LOS Inc., LS&CO., LSAI and the Partnership at the Closing.

"Party" or "Parties", as used in any Transaction Document, means a signatory or signatories to that Transaction Document.

"Partner" means the Designs Partner or the LOS Partner and "Partners" means the Designs Partner and the LOS Partner.

"Partnership" means The Designs/OLS Partnership, the general partnership formed under the Delaware UPA by the Designs Partner and the LOS Partner under the Partnership Agreement.

"Partnership Agreement" means the Partnership Agreement signed and delivered by the Partners and the Partnership at the Closing.

"Partnership Assets" means any and all Property owned by the Partnership from time to time.

"Partnership Interest" means a Partner's equity interest in the Partnership.

"Partnership Purposes" has the meaning set forth in Section 2.3 of the Partnership Agreement.

"Percentage Interest" has the meaning set forth in Section 3.3 of the Partnership Agreement.

"Permit" means any permit, license, franchise, consent, authorization, concession, grant, easement, right of way, registration, qualification, filing or other similar act of or

made with any government body.

"Person" means any individual or entity including, without limitation, any government body.

"Profit" and "Loss" mean the taxable income or loss for any period determined in accordance with Code Section 703(a). "Profit" and "Loss" shall be computed with these adjustments:

(a) Items of gain, loss and deduction shall be computed based on the Carrying Values of the Partnership Assets rather than their adjusted bases for federal income tax purposes. For example, the amount of any deductions for depreciation or amortization respecting any Partnership Asset for any period shall equal that asset's Carrying Value at the beginning of the period multiplied by a fraction, the numerator of which is the amount of depreciation or amortization allowable for that asset for federal income tax purposes for that period and the denominator of which is that asset's adjusted tax basis at the beginning of the period.

(b) Any tax-exempt income received by the Partnership shall be included as an item of gross income.

(c) The amount of any adjustments to the Carrying Value of any Partnership Asset under Code Section 743 shall not be taken into account.

(d) Any Partnership expenditure described in Code Section 705(a)(2)(B) shall be treated as a deductible expense, including any expenditure treated as being described in Code Section 705(a)(2)(b) under Treasury Regulations Section 1.704-1(b)(2)(iv)(b).

(e) Despite paragraphs (a) through (d) above, any items which are specially allocated under Section 9.4 or 9.5 of the Partnership Agreement shall not be taken into account in computing Profit and Loss.

Items of Partnership income, gain, loss or deduction available to be specially allocated under Section 9.5 of the Partnership Agreement shall be determined by applying rules analogous to those set forth in paragraphs (a) through (e) above.

"Profitable OLSs" has the meaning set forth in Subsection 14.6(c) of the Partnership Agreement.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible, and wherever located, including, without limitation, cash, claims, contract and other rights, and Permits.

"Purchase Offer" has the meaning set forth in Section 13.1 of the Partnership Agreement.

"Purchasing Partner" has the meaning set forth in Section 16.3 of the Partnership Agreement.

"Qualified Transferee" means an entity that meets all of the following requirements:

(a) together with its continuing Affiliates, has sold Levi's(R) branded adult jeans and jeans-related products to consumers having a wholesale value of at least \$25 million during each of its two fiscal years that precede the anticipated closing of the proposed transaction for which this definition is being applied;

(b) together with its continuing Affiliates, has derived revenues of at least \$100 million from sales of apparel (including, but not limited to, Levi's(R) branded adult jeans and jeans-related products) to consumers during each of those same two fiscal years;

(c) has a consolidated net worth, determined in

accordance with GAAP as of a date no more than 45 days before that anticipated closing, of at least \$50 million;

(d) together with its Affiliates, has not, since the beginning of the first of the two fiscal years referred to in paragraph (a) above, defaulted on any installment of material indebtedness for borrowed money or rent on any material real estate lease;

(e) together with its continuing Affiliates, operates at least 30 stores in the Territory that have continuously sold or been authorized to sell the entire selection of Levi's(R) branded products to consumers since the beginning of the first of those two fiscal years and

(f) since the beginning of the first of those two fiscal years, has not experienced (nor, during that period, have any of its Affiliates experienced) any event which would have been a Reputation Event with respect to that entity or any of its Affiliates had that entity then been a Partner.

"Reputation Event", with respect to the Designs Partner, means any action or event (or series of actions or events) by or relating to the Designs Partner or any Affiliate of the Designs Partner which, in the reasonable judgment of the LOS Partner, materially adversely affects (or is likely materially adversely to affect) the reputation of LSAI, any Affiliate of LSAI, the Partnership, the "Levi's(R)" name or brand, or any other intellectual property or brand at the time owned, used or controlled by LSAI or any Person that LSAI Controls. "Reputation Event", with respect to the LOS Partner, means any action or event (or series of actions or events) by or relating to the LOS Partner or any Affiliate of the LOS Partner which, in the reasonable judgment of the Designs Partner, materially adversely affects (or is likely materially adversely to affect) the reputation of Designs, any Affiliate of Designs or the Partnership. A Bankruptcy Event or poor economic performance, in and of itself, shall not constitute a Reputation Event.

"Restricted Interest" means any LOS Restricted Interest or any Designs Restricted Interest.

"Selling Partner" has the meaning set forth in Section 16.3 of the Partnership Agreement.

"Stores" means OLSs and Outlets.

"Subject Property" has the meaning set forth in Section 14.2 of the Partnership Agreement.

"Tax Accounting Method" has the meaning set forth in Subsection 9.5(b) of the Partnership Agreement.

"Taxes" means any tax, charge, assessment, levy, fee or imposition of any kind of any governmental body, including, without limitation, those imposed on or in respect of income, gains, property, sales, use, franchises, stock, entities, wages, employment, documents, stamps or transfers and any related interest, penalties, additions or other amounts payable with respect to such amounts.

"Tax Matters Partner" has the meaning specified in Section 9.7 of the Partnership Agreement.

"Termination Date" has the meaning set forth in Section 2.7 of the Partnership Agreement.

"Termination Event" means a Bankruptcy Event, a Fundamental Change, a Material Breach, a Reputation Event or an Unauthorized Termination.

"Territory" means (a) the States of Connecticut, Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Rhode Island and Vermont, (b) the Commonwealths of Massachusetts and Pennsylvania and (c) the District of Columbia.

"Transaction Documents" means this Glossary, the Partnership Agreement, the Participation Agreement, the LOS Sublicense Agreement, the LOS License Agreement, the Designs License Agreement and the Administrative Services Agreement.

"Transfer" has the meaning set forth in Section 12.3 of the Partnership Agreement.

"Transferee" has the meaning set forth in Section 13.1 of the Partnership Agreement.

"Treasury Regulations" means regulations (including temporary regulations) promulgated, from time to time, by the United States Department of the Treasury under the Code.

"Trigger Notice" has the meaning set forth in Section 14.2 of the Partnership Agreement.

"Unauthorized Termination" means any termination, dissolution or liquidation of the Partnership by a Partner or any attempt by a Partner to achieve any such result, in any such case in contravention of the Partnership Agreement.

* * *

All amendments to this Glossary must be in writing and be signed by all the parties to this Glossary.

* * *

The undersigned have signed and delivered this Glossary as of January 28, 1995.

DESIGNS JV CORP.

By /s/ Joel Reichman
Joel Reichman,
President

DESIGNS, INC.

By /s/ Joel Reichman
Joel Reichman,
President

LDJV INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

LEVI'S ONLY STORES, INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

LEVI STRAUSS & CO.

By /s/ Robert D. Rockey, Jr.
Robert D. Rockey, Jr.

Senior Vice President

LEVI STRAUSS ASSOCIATES INC.

By /s/ Robert D. Rockey, Jr.
Robert D. Rockey, Jr.
Senior Vice President

THE DESIGNS/OLS PARTNERSHIP

By DESIGNS JV CORP., a Partner

By /s/ Joel Reichman
Joel Reichman,
President

By LDJV INC., a Partner

By /s/ Edward T. Murphy
Edward T. Murphy
President

SUBLICENSE AGREEMENT

THIS IS A SUBLICENSE AGREEMENT dated January 28, 1995 (the "Agreement") between LEVI'S ONLY STORES, INC., a Delaware corporation ("LOS"), and LDJV INC., a Delaware corporation and wholly-owned subsidiary of LOS (the "LOS Partner").

B A C K G R O U N D

LOS is a licensee from Levi Strauss & Co. ("LS&CO.") of certain intellectual property rights relating to the operation in the United States, under the "The Original Levi's(R) Stores" name, of retail stores offering Levi's(R) branded adult jeans and jeans-related products. The LOS Partner desires to enter into an agreement creating a partnership that will operate a number of those stores in the northeastern United States. In order to proceed with that transaction, the LOS Partner must obtain the use of those rights in that territory.

LOS AND THE LOS PARTNER AGREE AS FOLLOWS:

1. Definitions

1.1 The documents relating to the formation and operation of the Partnership are known as the "Transaction Documents." They include a "Glossary." Capitalized terms used in this Agreement and not otherwise defined in this Agreement have the meanings given them in the Glossary, as that Glossary may be amended from time to time in accordance with its terms.

1.2 "Partnership Sublicense" means the sublicense which the LOS Partner enters into with the Partnership referred to in the "Background" section of this Agreement, as that sublicense may be amended from time to time.

1.3 "Rights" means: (a) the trade name and the two service marks identified as such on Exhibit A to this Agreement, all rights inhering in that name and those marks and all registrations and applications for registration of that name and those marks and (b) all right, title and interest of LOS in and to the Trade Dress and any and all registrations and applications for registration of the Trade Dress.

1.4 "Trade Dress" means the visual elements identified as the "Trade Dress" on Exhibit A to this Agreement, as those elements may be modified or supplemented in accordance with the procedures set forth in Section 5 of the Partnership Sublicense.

2. License

2.1 Grant of Rights to Use and Sublicense

(a) LOS grants to the LOS Partner a royalty-free right and license (i) to use the Rights and (ii) to sublicense the Rights to the Partnership pursuant to the Partnership Sublicense, in each such case solely for the operation of OLSs in the Territory. The LOS Partner shall not be entitled to sublicense or otherwise transfer or make available any Rights to any Person other than the Partnership (including, without limitation, to the Designs Partner or any Affiliate of the Designs Partner, including after a purchase by the Designs Partner or an Affiliate of the Designs Partner of one or more stores which the Partnership had operated as OLSs), or to grant a Lien on any of the Rights or on any of the LOS Partner's rights under this Agreement. LOS shall not be entitled to sublicense or otherwise transfer or make available any Rights to any Person for use within the Territory, other than to the Partnership or,

consistent with the Transaction Documents and for the purpose of operating any OLSs acquired from the Partnership, any Affiliate of LOS. Nothing in this Agreement or in any other Transaction Document shall limit LOS' right to sublicense or otherwise transfer or make available any Rights to any Person for use outside the Territory.

(b) Except for the rights specifically granted in this Section 2, the LOS Partner does not and will not have any right, title or interest in any of the Rights, all of which remain the exclusive property of LS&CO. (subject, however, to the license granted to the LOS Partner by this Agreement and the sublicense to be granted to the Partnership by the Partnership Sublicense). It is expressly understood and agreed that any service mark, trademark or trade dress rights that in the future derive from any of the Rights or from the operation of any OLS operated in the Territory, as established in accordance with the procedures set forth in Section 5 of the Partnership Sublicense, shall become "Rights" and thus become the exclusive property of LS&CO. subject, however, to the license granted to the LOS Partner by this Agreement and the sublicense granted to the Partnership by the Partnership Sublicense. The LOS Partner shall not take any action contesting or impairing LOS' or LS&CO.'s right, title and interest in, or impairing the good will symbolized by, any of the Rights, and shall not take any action concerning the establishment, protection or enforcement of any of the Rights without first obtaining the written approval of LOS, which LOS may grant or deny in its sole discretion.

2.2 Quality. In using the Rights, the LOS Partner shall comply with LOS' quality standards, principles and guidelines. Those standards, principles and guidelines shall be no stricter or more rigorous than those which LOS imposes on any other licensee respecting that other licensee's use of the Rights in the United States. LOS may not terminate this Agreement due to a failure of the LOS Partner to comply with any such standards, principles or guidelines unless they first have been articulated to the LOS Partner in writing and the LOS Partner has been given a reasonable opportunity to comply with them. The LOS Partner shall permit, and shall cause the Partnership to permit, LOS access to the OLSs in the Territory during regular business hours at LOS' expense, so that LOS may evaluate the LOS Partner's and the Partnership's compliance with LOS' quality standards, principles and guidelines. LOS may exercise its inspection and quality control rights directly with the Partnership.

2.3 Representations of LOS. LOS represents and warrants that: (a) its license respecting the Rights granted to LOS by LS&CO. is a legal, valid and binding obligation of both LS&CO. and LOS; (b) LOS has the right, power and authority to enter into and perform this Agreement and to grant the license purported to be granted by this Agreement and (c) so long as the LOS Partner performs its obligations under this Agreement and the Partnership performs its obligations under the Partnership Sublicense, LS&CO. will not be entitled to terminate or cause the termination of the sublicense granted by this Agreement or the sublicense granted by the Partnership Sublicense, it being understood that any termination in violation of this clause (c) shall be void.

3. Indemnification

3.1 The LOS Partner shall indemnify LOS and all other LOS Parties and hold them harmless from and against any Damages arising out of any breach by the LOS Partner of any of its obligations under this Agreement or any breach by the Partnership of any of its obligations under the Partnership Sublicense (except, in any such case, for those Damages arising directly from LOS' or another indemnitee's gross negligence or willful misconduct).

3.2 LOS shall indemnify the LOS Partner and hold it harmless from and against: (a) any Damages arising out of any breach by LOS of any of its obligations under this Agreement, except for those Damages arising directly from the LOS Partner's gross negligence or willful misconduct and (b) any claim that the

trade name or either of the service marks identified on Exhibit A to this Agreement, in the exact form in which they are identified on Exhibit A, infringe any trade name or service mark rights of any third party. However, this indemnity does not extend to any claim that any aspect of the Trade Dress infringes any rights of any third party.

3.3 Indemnification under this Section 3 shall be governed by the rules set forth in Exhibit B to this Agreement.

4. Termination

4.1 Term. Unless terminated earlier in accordance with this Section 4, this Agreement shall automatically terminate if and when the LOS Partner no longer participates, either directly or indirectly, in the ownership or management of OLSs in the Territory, whether as a partner of the Partnership or otherwise.

4.2 Breach by LOS Partner. This Agreement may be terminated by LOS if: (a) the LOS Partner fails to perform any material obligation under this Agreement; (b) that failure is not cured within 30 days after LOS delivers to the LOS Partner, the Partnership and the Designs Partner a notice describing the default and identifying it as a material breach of this Agreement and (c) LOS then delivers a second notice to those parties, this one terminating this Agreement, if neither the LOS Partner nor the Partnership cures that default within those 30 days.

4.3 Breach by Partnership. This Agreement may be terminated by LOS if: (a) the Partnership fails to perform any material obligation under the Partnership Sublicense; (b) that failure is not cured within 30 days after LOS delivers to the Partnership, the LOS Partner and the Designs Partner a notice describing the default identifying it as a material breach of this Agreement and (c) LOS then delivers a second notice to those parties, this one terminating this Agreement, if neither the Partnership nor either Partner cures that default within those 30 days.

4.4 Effect of Termination. Upon termination of this Agreement, the LOS Partner shall promptly discontinue use of the Rights and the Partnership Sublicense shall automatically terminate. Termination shall not discharge either party from its obligations under Section 3 or from any liabilities to the other party resulting from prior performance or breach of any obligation under this Agreement.

5. Remedial Matters

5.1 Misuse of Rights. LOS and the LOS Partner acknowledge and agree that monetary damages alone would not adequately compensate either of them should the other breach its obligations under Section 2 of this Agreement or otherwise misuse the Rights. Accordingly, each party (as well as the Partnership, as explained in Section 9) shall be entitled, in addition to any other remedies, to enforce those obligations and to obtain related relief by means of injunction or other equitable relief.

5.2 Not Exclusive. The provisions of this Agreement are in addition to, and not in place of, any rights LOS or the LOS Partner has under applicable law.

6. Entire Agreement; Amendment

This Agreement and its exhibits, together with the other Transaction Documents, contain all the terms and conditions agreed upon by the various parties to the Transaction Documents relating to their subject matter, represent the final, complete and exclusive statement by those parties regarding that subject matter, and supersede any and all prior or contemporaneous agreements, negotiations, correspondence, understandings and communications between or among them, whether oral or written, regarding that subject matter. This Agreement may be amended by, but only by, a writing signed by LOS and the LOS Partner. The LOS Partner may not amend the Partnership Sublicense without the

prior written consent of LOS. LOS shall be entitled to withhold that consent in its sole discretion.

7. Binding Effect; Assignment

This Agreement shall be binding upon the successors and permitted assigns of LOS and the LOS Partner. LOS may, without obtaining the consent of the LOS Partner, freely assign its rights and delegate its duties under this Agreement (either directly or by operation of law) to any one of the following, provided that the assignee agrees in writing to be bound by the terms and conditions of this Agreement and provided also that the Rights have been transferred or licensed to the assignee:

(i) any Affiliate of LOS; (ii) any successor to LOS by merger or consolidation or (iii) any purchaser of all or substantially all of the assets of LOS. The LOS Partner may not assign any of its rights or delegate any of its duties under this Agreement, except that it may grant the Partnership Sublicense. Any such prohibited assignment or delegation or purported assignment or delegation shall be void and without effect. Likewise, any assignment or delegation or purported assignment or delegation by LOS in contravention of this Section 7 shall be void and without effect.

8. Controversies

Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of LOS and the LOS Partner including, if other efforts fail, a face-to-face meeting between a senior manager of LOS and a senior manager of the LOS Partner. If any Controversy is not settled by such efforts within 30 days after LOS or the LOS Partner requests such a meeting, either of them shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. The party initiating the arbitration shall promptly notify the Partnership of the arbitration, and the Partnership shall be entitled to observe the arbitration proceedings. Pending the completion of any arbitration proceeding, obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be LOS' and the LOS Partner's exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on LOS and the LOS Partner. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, any party to the arbitration may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief.

9. Partnership as Beneficiary

The Partnership shall be a third party beneficiary of the obligations of LOS under this Agreement and thus be entitled to enforce those obligations. However, in the event of a Controversy, the Partnership shall be bound by Section 8 of this Agreement.

10. Bankruptcy

If an order for relief is entered in a case under the United States Bankruptcy Code with respect to LOS and if LOS (as the debtor in possession) or its trustee rejects the license granted by this Agreement, the LOS Partner may (and, on the written request of the Partnership, the LOS Partner shall) make the election specified in Section 365(n)(1)(B) of the United States Bankruptcy Code, as that Section may be amended or replaced from time to time, in order that the LOS Partner retain that license and the rights granted to it by this Agreement.

11. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

12. Further Assurances

LOS and the LOS Partner shall sign those other documents and take those other actions as the other may reasonably request in order to effect or memorialize the transactions contemplated by this Agreement.

13. Notices

Any notice required under this Agreement shall be in writing and shall be given by mail or by courier delivery or facsimile transmission addressed to:

If to LOS:

Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attn: President
Facsimile: (614) 228-5769

If to the LOS Partner:

LDJV Inc.
c/o Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attn: President
Facsimile: (614) 228-5769

If to the Partnership:

The Designs/LOS Partnership
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attn: General Manager
Facsimile: (617) 734-3406

If to the Designs Partner:

Designs JV Corp.
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attn: General Counsel
Facsimile: (617) 734-3406

Those addresses may be changed by delivery of a notice to that effect to the other notice parties. Notices given in the manner contemplated by this Section shall be considered "given" three business days after deposit in the mail or the first business day after the date of delivery to a courier or receipt by facsimile transmission, as the case may be.

14. Counterparts

This Agreement may signed in any number of counterparts.

* * *

IN WITNESS WHEREOF, LOS and the LOS Partner signed and delivered this Agreement on the date appearing in the first paragraph of this Agreement.

LEVI'S ONLY STORES, INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

LDJV INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

Exhibit A

Service Marks, Trade Name and Trade Dress

Service Marks: 1. The Original Levi's(R) Store
 2. the "diagonal red Levi's(R)" design shown
 on pages 2 and 3 of this exhibit (the
 "Diagonal")

Trade Name: The Original Levi's(R) Store

Trade Dress: 1. the red-striped stained wood floor
 2. the white GWB slab ceiling shown on
 page 4 of this exhibit
 3. each fixture shown on pages 4, 5, 6 and
 7 of this exhibit, but only if the
 fixture has a cherry stain or
 substantially similar color on all or a
 substantial portion of its exterior
 4. a "video wall" consisting of a
 projection cube system, a single-screen
 projection system or a multiple-glass
 monitor matrix system, in any such case
 having a total "diagonal" dimension of
 more than 19 inches
 5. all videos used, from time to time, in
 any of the Partnership's OLSs in
 connection with any video walls that
 promote any LS&CO. products
 6. signage bearing any one or more of the
 service marks including, without
 limitation, fit posters bearing the
 Diagonal shown on page 8 of this exhibit
 7. product identifier blade signs shown on
 page 4 of this exhibit

Exhibit B

Indemnification Procedures

A Person making a claim under Section 3.1 or 3.2 of this Agreement is referred to as an "Indemnified Party" and a Person

against whom such a claim is asserted is referred to as an "Indemnifying Party". All such claims shall be asserted and resolved in accordance with this Schedule.

(a) Third Party Claims. If any claim for which an Indemnifying Party would be liable to an Indemnified Party is asserted against the Indemnified Party by a third party, the Indemnified Party shall, as promptly as is practical after its receipt of the claim, notify the Indemnifying Party of the claim in writing. That notice shall specify the nature of and the alleged basis for the claim and the amount or estimated amount of the claim to the extent then reasonably feasible (a "Claim Notice"). Any failure to give a Claim Notice shall not waive any rights of the Indemnified Party except to the extent that the rights of the Indemnifying Party are actually prejudiced. The Indemnifying Party may, and upon request of the Indemnified Party shall, assume the defense of the claim with competent counsel of its choice. The Indemnifying Party shall pay the fees and expenses of that counsel. However, any Indemnified Party is authorized (but not required) to retain counsel (in which case the fees and expenses of that counsel shall be paid by the Indemnifying Party) in order to file any motion, answer or other pleading and take any other action which it reasonably considers essential to protect its interests or those of the Indemnifying Party until the Indemnifying Party retains counsel, provided that such action does not prejudice the defense of the claim. Moreover, even though the Indemnifying Party retains counsel, the Indemnified Party shall have the right to retain its own counsel. However, except as provided in the sentence preceding the previous sentence, the fees and expenses of such counsel shall be paid by the Indemnified Party. If requested by the Indemnifying Party, the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in contesting any claim that the Indemnifying Party defends or, if appropriate and related to the claim, in making any counterclaim or cross-claim against the Person asserting the claim or against any other Person. No claim for which indemnification is sought under any of the Transaction Documents may be settled or compromised without the consent of the Indemnifying Party. Such consent shall not be unreasonably withheld or delayed.

(b) Other Claims. If an Indemnified Party has a claim against an Indemnifying Party which does not involve a claim asserted by a third party, the Indemnified Party shall as promptly as is practical send a Claim Notice respecting the claim to the Indemnifying Party. However, any failure to give a Claim Notice shall not waive any rights of the Indemnified Party except to the extent that the rights of the Indemnifying Party are actually prejudiced. If the Indemnifying Party does not notify the Indemnified Party within 60 days after receipt of a claim that it accepts the claim, the claim shall be resolved as a Controversy.

SUBLICENSE AGREEMENT

THIS IS A SUBLICENSE AGREEMENT dated January 28, 1995 (the "Agreement"), between LDJV INC., a Delaware corporation (the "LOS Partner"), and THE DESIGNS/OLS PARTNERSHIP, a Delaware general partnership (the "Partnership").

B A C K G R O U N D

The LOS Partner is party to a license agreement (the "LOS/LOS Partner License") with Levi's Only Stores, Inc. ("LOS"). A copy of that license is attached to this Agreement as Exhibit A. Under that license, LOS licensed to the LOS Partner intellectual property rights relating to the operation, under the "The Original Levi's(R) Stores" name, of retail stores offering Levi's(R) branded adult jeans and jeans-related products. The LOS Partner and the Partnership desire that the LOS Partner license all of those rights to the Partnership. That matter is the subject of this Agreement.

THE LOS PARTNER AND THE PARTNERSHIP AGREE AS FOLLOWS:

1. Definitions

1.1 The documents relating to the formation and operation of the Partnership are known as the "Transaction Documents." They include a "Glossary." Capitalized terms used in this Agreement and not otherwise defined in this Agreement have the meanings given them in the Glossary, as that Glossary may be amended from time to time in accordance with its terms.

1.2 "Rights" means: (a) the trade name and the two service marks identified as such on Exhibit B to this Agreement, all rights inhering in that name and those marks and all registrations and applications for registration of that name and those marks and (b) all right, title and interest of the LOS Partner in and to the Trade Dress and any and all registrations and applications for registration of the Trade Dress.

1.3 "Trade Dress" means the visual elements identified as the "Trade Dress" on Exhibit B to this Agreement, as those elements may be modified or supplemented in accordance with the procedures set forth in Section 5 of this Agreement.

2. Sublicense

The LOS Partner grants to the Partnership an exclusive, royalty-free right and license to use the Rights in the Territory (the "Sublicense"). The Sublicense includes and transfers all of the LOS Partner's benefits under the LOS/LOS Partner License. The Sublicense is also subject to all of the terms, conditions and limitations of the LOS/LOS Partner License including, without limitation, those appearing in Section 2 of the LOS/LOS Partner License. For example:

- * the Partnership is entitled to use the Rights solely in connection with the establishment and operation by the Partnership of OLSs in the Territory;
- * the Sublicense terminates automatically if and when the LOS/LOS Partner License terminates in accordance with its terms;
- * the Partnership under no circumstances shall be entitled to sublicense or otherwise transfer or

make available any Rights to any other person or entity including, without limitation, to the Designs Partner or any Affiliate of the Designs Partner (for example, after a purchase by the Designs Partner or an Affiliate of the Designs Partner of one or more stores which the Partnership had operated as OLSs), or to grant a Lien on any of the Rights or any of the Partnership's rights under this Agreement;

- * except for the rights specifically granted by this Agreement, the Partnership has no right, title or interest in any of the Rights;
- * all trade dress rights that in the future derive from the Rights or from the operation of any of the OLSs by the Partnership and pursuant to Section 5 of this Agreement become "Rights" shall become the exclusive property of LS&CO. subject, however, to the license granted to the LOS Partner by the LOS/LOS Partner License and subject to the Sublicense;
- * the Partnership shall not take any action contesting or impairing LOS' or LS&CO.'s right, title or interest in, or impairing the good will symbolized by, the Rights, and shall not take any action concerning the establishment, protection or enforcement of any of the Rights without first obtaining the written approval of LOS, which LOS may give or deny in its sole discretion;
- * at LOS' request and expense, the Partnership shall cooperate with LOS and any other LOS Party in establishing, protecting or enforcing any of the Rights;
- * in using the Rights, the Partnership shall comply with LOS' quality standards, principles and guidelines (it being understood, however, that: (a) those standards, principles and guidelines shall be no stricter or more rigorous than those which LOS imposes on any other licensee respecting that other licensee's use of the Rights in the United States and (b) the LOS Partner may not terminate this Agreement due to the failure of the Partnership to comply with any such standards, principles or guidelines unless they first have been articulated to the Partnership in writing and the Partnership has been given a reasonable opportunity to comply with them);
- * the Partnership shall permit LOS access to the OLSs, during regular business hours at LOS' expense, so that LOS may evaluate the Partnership's compliance with such LOS quality standards, principles and guidelines;
- * the LOS Partner or LOS (but also the Partnership) shall be entitled, in addition to any other remedies, to enforce the obligations set forth in this Agreement and to obtain related relief by means of injunctive or other equitable relief and
- * the provisions of this Agreement are in addition to, and not in place of, any rights that any LOS Party or the Partnership has under applicable law.

3. Indemnification

3.1 The Partnership shall indemnify the LOS Partner and hold the LOS Partner harmless from and against any Damages arising out of any breach by the Partnership of any of its obligations under this Agreement (including, without limitation, any Damages that arise from any indemnification obligation of the

LOS Partner owed to any other LOS Party which are based on the Partnership's breach of this Agreement), except for those Damages arising directly from any LOS Party's gross negligence or willful misconduct.

3.2 The LOS Partner shall indemnify the Partnership and hold it harmless from and against: (a) any Damages arising out of any breach by the LOS Partner of any of its obligations under this Agreement or any breach by the LOS Partner or LOS of any obligations under the LOS/LOS Partner License, except (in each such case) for those Damages arising directly from the Partnership's gross negligence or willful misconduct and (b) any claim that the trade name or either of the service marks identified on Exhibit B to this Agreement, in the exact form in which they are identified on Exhibit B, infringe any trade name or service mark rights of any third party. However, this indemnity does not extend to any claim that any aspect of the Trade Dress infringes any rights of any third party.

3.3 Indemnification under this Section 3 shall be governed by the rules set forth on Exhibit C to this Agreement.

4. Termination

4.1 Automatic. This Agreement (including, without limitation, the Sublicense) shall terminate automatically upon the termination of the LOS/LOS Partner License in accordance with its terms.

4.2 Breach by Partnership. This Agreement may be terminated by the LOS Partner if: (a) the Partnership fails to perform any material obligation under this Agreement; (b) that failure is not cured within 30 days after the LOS Partner delivers to the Partnership and the Designs Partner a notice describing the default and identifying it as a material breach of this Agreement and (c) the LOS Partner then delivers a second notice to those parties, this one terminating this Agreement, if the Partnership fails to cure that default within those 30 days.

4.3 Effect of Termination. Upon termination of this Agreement, the Partnership shall promptly discontinue use of the Rights subject, however, to the transition arrangements contemplated by Article 17 of the Partnership Agreement and subject to Section 10.8 of the Partnership Agreement. Termination of this Agreement shall not discharge either party from its obligations under Section 3 of this Agreement or from any liabilities resulting from prior performance or breach of its obligations under this Agreement. This all said, the LOS Partner understands and acknowledges that the termination provisions of this Agreement shall not be a means for the LOS Partner to terminate the Partnership or otherwise gain a special advantage over the Designs Partner with respect to the purchase or sale of Partnership Interests or OLSs. The exclusive procedures for terminating the Partnership or buying or selling Partnership Interests or OLSs are set forth in the Partnership Agreement, with the consequences of any such transactions being those set forth in this Agreement, the LOS/LOS Partner License, the Partnership Agreement and other Transaction Documents.

5. Modification of Rights

In connection with any modification or proposed modification in the visual appearance of any of the Partnership's OLSs (general store appearance, specific fixtures or other features), the LOS Partner may propose that some or all of the elements of that modified appearance be included in the Trade Dress and thus be included among the "Rights" and otherwise be governed by this Agreement. If, in accordance with Section 5.11 of the Partnership Agreement, the Partnership agrees to include any of those trade dress elements in the Rights, they shall be so included, in which case the LOS Partner and the Partnership shall amend Exhibit B to this Agreement to reflect that fact. If the Partnership does not so agree, the issue shall be resolved as a Controversy in accordance with Section 11 of this Agreement. Any new or modified trade dress elements included in the Rights as a

result of the resolution of such a Controversy shall likewise be added to Exhibit B. In order to conclude that any new or modified element should be added to the Rights, JAMS/Endispute must determine that the element is: (a) distinctive relative to the elements (or the analogous element or elements) of competing retail specialty stores then operating in the Territory, (b) not merely functional, provided that an element which is functional but which also meets the distinctiveness criterion of clause (a) above shall not be considered "merely functional" and (c) not already being used in one or more stores then operated by Designs or any Affiliate of Designs. The procedures described in this Section 5 shall not be available for or otherwise be applicable to the service marks or trade name identified on Exhibit B to this Agreement.

6. Representations and Warranties

The LOS Partner represents and warrants to the Partnership that: (a) its license respecting the Rights granted to the LOS Partner by LOS is a legal, valid and binding obligation of both the LOS Partner and LOS; (b) the LOS Partner has the right, power and authority to enter into and perform this Agreement and to grant the Sublicense and (c) so long as the Partnership performs its obligations under this Agreement and the LOS Partner performs its obligations under the license between LOS and the LOS Partner, LOS will not be entitled to terminate or cause the termination of the Sublicense or the license granted by the license between LOS and the LOS Partner, it being understood that any termination in violation of this clause (c) shall be void.

7. Disclaimer

The LOS Partner makes no representation or warranty that the LOS Partner or any Affiliate of the LOS Partner is entitled, whether by contract or under applicable law, to prevent any Person that is not an Affiliate of the LOS Partner from using any element of the Trade Dress.

8. Enforcement of Rights

LOS, not the Partnership, shall determine whether to prosecute any infringers or seeming infringers of any Rights. LOS, not the Partnership, shall also control any such prosecution. However, if LOS does decide to prosecute, then, irrespective of whether the prosecuting party is the Partnership or otherwise, LOS shall pay the costs and expenses of that prosecution.

9. Entire Agreement; Amendment

This Agreement and its exhibits, together with the other Transaction Documents, contain all the terms and conditions agreed upon by the various parties to the Transaction Documents relating to their subject matter, represent the final, complete and exclusive statement by those parties regarding that subject matter, and supersede any and all prior or contemporaneous agreements, negotiations, correspondence, understandings and communications between or among them, whether oral or written, regarding that subject matter. This Agreement may be amended by, but only by, a writing signed by the LOS Partner and the Partnership.

10. Binding Effect; Assignment

This Agreement shall be binding upon the successors and permitted assigns of the LOS Partner and the Partnership. The LOS Partner may, without obtaining the consent of the Partnership, freely assign its rights and delegate its duties under this Agreement (either directly or by operation of law) to any one of the following, provided that the assignee agrees in writing to be bound by the terms and conditions of this Agreement and the LOS/LOS Partner License and provided also that the Rights have been transferred or licensed to the assignee: (i) any Affiliate of the LOS Partner; (ii) any successor to the LOS

Partner by merger or consolidation or (iii) any purchaser of all or substantially all of the assets of the LOS Partner. The Partnership may not assign any of its rights or delegate any of its duties under this Agreement. Any such assignment or delegation or purported assignment or delegation shall be void and without effect. Likewise, any assignment or delegation or purported assignment or delegation by the LOS Partner in contravention of this Section 10 shall be void and without effect.

11. Controversies

Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of the LOS Partner and the Partnership including, if other efforts fail, a face-to-face meeting between a senior manager of the LOS Partner and, on behalf of the Partnership, a senior manager of the Designs Partner. If any Controversy is not settled by such efforts within 30 days after the LOS Partner or the Partnership requests such a meeting, either of them shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If the Partnership initiates arbitration, the arbitration shall be conducted in whichever of Columbus, Ohio or San Francisco, California the LOS Partner chooses. If the LOS Partner initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any arbitration proceeding, obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be the LOS Partner's and the Partnership's exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on the LOS Partner and the Partnership. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, any party to the arbitration may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief. All decisions respecting any such Controversy shall be made on behalf of the Partnership by the Designs Partner in accordance with Section 5.11 of the Partnership Agreement.

12. Bankruptcy

If an order for relief is entered in a case under the United States Bankruptcy Code with respect to LOS or the LOS Partner and if LOS or the LOS Partner (as the debtor in possession) or a trustee rejects the Sublicense or the LOS/LOS Partner License, the Partnership may make the election specified in Section 365(n) (1) (B) of the United States Bankruptcy Code, as that Section may be amended or replaced from time to time, in order that the Partnership retains the Sublicense and the rights granted to the Partnership by this Agreement.

13. Amendment of the LOS/LOS Partner License

The LOS Partner shall not agree to any amendment of the LOS/LOS Partner License without first obtaining the written consent of the Partnership. In accordance with Section 5.11 of the Partnership Agreement, the Designs Partner shall decide whether the Partnership shall give any such consent.

14. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

15. Further Assurances

The LOS Partner and the Partnership shall sign those other documents and take those other actions as the other may reasonably request in order to effect or memorialize the transactions contemplated by this Agreement.

16. Notices

Any notice required under this Agreement shall be in writing and shall be given by mail or by courier delivery or facsimile transmission addressed to:

If to the LOS Partner:

LDJV Inc.
c/o Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attn: President
Facsimile: (614) 228-5769

If to the Partnership:

The Designs/LOS Partnership
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attn: General Manager
Facsimile: (617) 734-3406

If to the Designs Partner:

Designs JV Corp.
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attn: General Counsel
Facsimile: (617) 734-3406

Those addresses may be changed by delivery of a notice to that effect to the other party. Notices given in the manner contemplated by this Section shall be considered "given" three business days after deposit in the mail or the first business day after the date of delivery to a courier or receipt by facsimile transmission, as the case may be.

17. Counterparts

This Agreement may signed in any number of counterparts.

* * *

IN WITNESS WHEREOF, the LOS Partner and the Partnership signed and delivered this Agreement on the date appearing in the first paragraph of this Agreement.

THE DESIGNS/OLS PARTNERSHIP

By DESIGNS JV CORP., a Partner

By /s/ Joel Reichman
Joel Reichman,
President

By LDJV INC., a Partner

By /s/ Edward T. Murphy
Edward T. Murphy,
President

LDJV INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

Exhibit A

[We will insert here the form of
the Sublicense Agreement between
LOS Inc. and LDJV Inc.]

Exhibit B

Service Marks, Trade Name and Trade Dress

- Service Marks:
1. The Original Levi's(R) Store
 2. the "diagonal red Levi's(R)" design shown on pages 2 and 3 of this exhibit (the "Diagonal")
- Trade Name:
- The Original Levi's(R) Store
- Trade Dress:
1. the red-striped stained wood floor
 2. the white GWB slab ceiling shown on page 4 of this exhibit
 3. each fixture shown on pages 4, 5, 6 and 7 of this exhibit, but only if the fixture has a cherry stain or substantially similar color on all or a substantial portion of its exterior
 4. a "video wall" consisting of a projection cube system, a single-screen projection system or a multiple-glass monitor matrix system, in any such case having a total "diagonal" dimension of more than 19 inches
 5. all videos used, from time to time, in any of the Partnership's OLSs in connection with any video walls that promote any LS&CO. products
 6. signage bearing any one or more of the service marks including, without limitation, fit posters bearing the Diagonal shown on page 8 of this exhibit
 7. product identifier blade signs shown on page 4 of this exhibit

Exhibit C

Indemnification Procedures

A Person making a claim under Section 3.1 or 3.2 of this Agreement is referred to as an "Indemnified Party" and a Person against whom such a claim is asserted is referred to as an "Indemnifying Party". All such claims shall be asserted and resolved in accordance with this Schedule.

(a) Third Party Claims. If any claim for which an Indemnifying Party would be liable to an Indemnified Party is asserted against the Indemnified Party by a third party, the Indemnified Party shall, as promptly as is practical after its receipt of the claim, notify the Indemnifying Party of the claim in writing. That notice shall specify the nature of and the alleged basis for the claim and the amount or estimated amount of the claim to the extent then reasonably feasible (a "Claim Notice"). Any failure to give a Claim Notice shall not waive any rights of the Indemnified Party except to the extent that the rights of the Indemnifying Party are actually prejudiced. The Indemnifying Party may, and upon request of the Indemnified Party shall, assume the defense of the claim with competent counsel of its choice. The Indemnifying Party shall pay the fees and expenses of that counsel. However, any Indemnified Party is authorized (but not required) to retain counsel (in which case the fees and expenses of that counsel shall be paid by the Indemnifying Party) in order to file any motion, answer or other pleading and take any other action which it reasonably considers essential to protect its interests or those of the Indemnifying Party until the Indemnifying Party retains counsel, provided that such action does not prejudice the defense of the claim. Moreover, even though the Indemnifying Party retains counsel, the Indemnified Party shall have the right to retain its own counsel. However, except as provided in the sentence preceding the previous sentence, the fees and expenses of such counsel shall be paid by the Indemnified Party. If requested by the Indemnifying Party, the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in contesting any claim that the Indemnifying Party defends or, if appropriate and related to the claim, in making any counterclaim or cross-claim against the Person asserting the claim or against any other Person. No claim for which indemnification is sought under any of the Transaction Documents may be settled or compromised without the consent of the Indemnifying Party. Such consent shall not be unreasonably withheld or delayed.

(b) Other Claims. If an Indemnified Party has a claim against an Indemnifying Party which does not involve a claim asserted by a third party, the Indemnified Party shall as promptly as is practical send a Claim Notice respecting the claim to the Indemnifying Party. However, any failure to give a Claim Notice shall not waive any rights of the Indemnified Party except to the extent that the rights of the Indemnifying Party are actually prejudiced. If the Indemnifying Party does not notify the Indemnified Party within 60 days after receipt of a claim that it accepts the claim, the claim shall be resolved as a Controversy.

* * *

LICENSE AGREEMENT

THIS IS AN AGREEMENT, dated January 28, 1995 (the "Agreement"), between Designs, Inc., a Delaware corporation ("Designs") and The Designs/OLS Partnership, a Delaware general partnership (the "Partnership").

BACKGROUND

Designs' wholly-owned subsidiary, the Designs Partner, is party to an agreement creating the Partnership, which will operate a number of OLS and Outlet stores in the Territory. Designs has spent time, money and effort to develop a distinctive proprietary system consisting of operating procedures and instructional and operating manuals and related materials for the establishment and operation of retail stores offering only Levi Strauss & Co. products, and Designs and the Partnership desire that Designs license to the Partnership the right to use such system for the establishment and operation of OLSs and Outlets. That matter is the subject of this Agreement.

DESIGNS AND THE PARTNERSHIP AGREE AS FOLLOWS:

1. Definitions

1.1 The documents relating to the formation and operation of the Partnership are known as the "Transaction Documents." They include a "Glossary." Capitalized terms used in this Agreement and not otherwise defined in this Agreement have the meanings given them in the Glossary, as that Glossary may be amended from time to time in accordance with its terms.

1.2 "Manuals" shall mean the "Operating Manual(s)", "Training Manual(s)" and "Compliance Manual(s)" as each is identified in Exhibit A to this Agreement and all Updates.

1.3 "Proprietary Information" shall mean the information in the Manuals received by the Partnership from Designs pursuant to this Agreement or another Transaction Document, except that Proprietary Information shall not include any information that the Partnership can prove (i) was generally available to the public at the time of disclosure to the Partnership or subsequently became generally available through no wrongful act of the Partnership, (ii) was lawfully acquired by the Partnership from a third party who was entitled to possession of such information and was not under an obligation of confidentiality, or (iii) was lawfully and independently developed by the Partnership without reference to or reliance upon the Manuals or any Proprietary Information.

1.4 "Update" shall mean a version, enhancement or modification of a Manual, or an update or replacement to a Manual, that is furnished or required to be furnished by Designs to the Partnership pursuant to Section 3.1 of this Agreement.

2. License

2.1 Grant of Right to Use. Designs grants to the Partnership a royalty-free, non-exclusive, nontransferable right and license to use the Manuals solely in connection with the operation of OLSs and Outlets in the Territory pursuant to the Transaction Documents. The Partnership shall not be entitled in any case to sublicense or otherwise transfer or make available any Manuals to any person or entity, including, without limitation, to the LOS Partner or any Affiliate of the LOS Partner or to grant a Lien on any of the Manuals or any of its rights under this Agreement.

3. Updates

3.1 If Designs or a Designs Affiliate modifies, enhances or replaces any of the Manuals or any of the information in any of the Manuals for use with any or all of its stores and such modified, enhanced or new Manual or information is also relevant to, or could have utility to, operation of any of the Partnership's OLSs or Outlets, then Designs shall furnish that modified, enhanced or new Manual or information to the Partnership and such modified, enhanced or new Manual or information shall be deemed an "Update" and become part of the

"Manuals" for all purposes of this Agreement.

3.2 The Partnership shall maintain current versions of the Manuals in accordance with the procedures set forth in Exhibit B hereto.

4. Confidentiality

4.1 Without the prior written consent of Designs, which Designs shall be entitled to withhold in its absolute discretion, the Partnership shall not use any Proprietary Information for any purpose other than operation of the OLSs and Outlets pursuant to this Agreement during the term hereof and, both during and after the term of this Agreement, the Partnership shall not disclose any Proprietary Information to any third party, except that the Partnership may furnish the Proprietary Information to the LOS Partner subject to the LOS Partner's obligations under the agreement set forth on the last page hereof. The Partnership shall communicate the contents of this Section 4 to all of its employees and agents who shall have access to any Proprietary Information.

4.2 Immediately upon expiration or termination of this Agreement for any reason, the Partnership shall (i) deliver to Designs all copies of Manuals, (ii) deliver to Designs or destroy any and all other copies of Proprietary Information (other than Manuals) and (iii) certify in writing that it has complied with the provisions of this Section 4.2. If the license provided in Section 2 of this Agreement terminates with respect to an OLS or Outlet pursuant to Section 6.1, such OLS or Outlet shall promptly comply with the provisions of clauses (i), (ii) and (iii) of this Section 4.2.

5. Indemnification

5.1 The Partnership shall indemnify Designs and hold it harmless from and against any Damages arising out of any breach by the Partnership of any of its obligations under this Agreement, except for those Damages arising directly from Designs' gross negligence or willful misconduct or that of any Designs Affiliate.

5.2 Designs shall indemnify the Partnership and hold it harmless from and against any Damages arising out of any breach by Designs of any of its obligations under this Agreement, except for those Damages arising directly from the Partnership's gross negligence or willful misconduct.

5.3 Indemnification under this Section 5 shall be governed by the rules set forth in Exhibit C to this Agreement.

6. Termination

6.1 Automatic. This Agreement shall terminate automatically if the Designs Partner ceases to hold, whether directly or indirectly, equity interest in the Partnership, or if the Administrative Services Agreement is terminated. The license provided in Section 2 of this Agreement shall terminate automatically with respect to an OLS or Outlet, if the Partnership ceases to own and manage such OLS or Outlet.

6.2 Breach. This Agreement may be terminated by Designs if: (a) the Partnership fails to perform any material obligations under this Agreement; (b) that failure is not cured within thirty days after Designs delivers to the Partnership and the LOS Partner a notice describing the default and identifying it as a material breach of this Agreement; and (c) Designs then delivers a second notice to those parties, this one terminating this Agreement, if the Partnership fails to cure that default within those thirty days. That termination will become effective on the date Designs delivers to the Partnership and the LOS Partner a notice of termination.

6.3 Effect of Termination. Upon termination of this Agreement, the Partnership shall promptly discontinue use of the Manuals and the license to use the Manuals, as provided in Section 2 of this Agreement, shall automatically terminate. Upon termination of the license provided in Section 2 with respect to an OLS or Outlet, such OLS or Outlet shall promptly discontinue use of the Manuals. Termination shall not discharge either party from its obligations under Section 4 or from any liabilities to the other party resulting from prior performance or breach of its obligations under this Agreement.

7. Remedial Matters

7.1 Misuse of Rights. The Partnership and Designs acknowledge and agree that monetary damages alone would not adequately compensate either party should the other party breach

its obligations under Sections 2 and 4 of this Agreement or otherwise misuse the Manuals or Proprietary Information. Accordingly, each party shall be entitled, in addition to any other remedies, to enforce those obligations and to obtain related relief by means of injunction or other equitable relief.

7.2 Not Exclusive. The provisions of this Agreement are in addition to, and not in place of, any rights Designs or the Partnership has under applicable law.

8. Representations and Warranties.

Designs represents and warrants to the Partnership that the license granted by this Agreement is a legal, valid and binding obligation of Designs and that Designs has the right, power and authority to enter into and perform this Agreement and to grant the license granted herein.

9. Controversies.

Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of Designs and the Partnership including, if other efforts fail, a face-to-face meeting between a senior manager of Designs and, on behalf of the Partnership, a senior manager of the LOS Partner. If any Controversy is not settled by such efforts within 30 days after Designs or the Partnership requests such a meeting, either of them shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If the Partnership initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. If Designs initiates arbitration, the arbitration shall be conducted in whichever of Columbus, Ohio or San Francisco, California the Partnership chooses. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any such proceeding, all obligations not in dispute shall continue to be performed under this Agreement. Except as provided below, such arbitration shall be Design's and the Partnership's exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on Designs and the Partnership. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, any party to the arbitration may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt such relief. All decisions respecting any such Controversy shall be made on behalf of the Partnership by the LOS Partner in accordance with Section 5.11 of the Partnership Agreement.

10. Bankruptcy

If an order for relief is entered in a case under the United States Bankruptcy Code with respect to Designs and if Designs (as the debtor in possession) or its trustee rejects this Agreement, the Partnership may make the election specified in Section 365(n)(1)(B) of the United States Bankruptcy Code, as that Section may be amended or replaced from time to time, in order that the Partnership retains the rights granted to the Partnership by this Agreement.

11. Entire Agreement; Amendment

This Agreement and its exhibits, together with the other Transaction Documents incorporated herein, contain all of the terms and conditions agreed upon by the various parties to the Transaction Documents relating to their subject matter, represent the final, complete and exclusive statement by those parties regarding that subject matter, and supersede any and all prior or contemporaneous agreements, negotiations, correspondence, understandings and communications between or among them, whether oral or written regarding that subject matter. This Agreement may be amended only by a writing signed by Designs and the Partnership.

12. Binding Effect; Assignment

This Agreement shall be binding upon the successors and permitted assigns of Designs and the Partnership. Designs may, without obtaining the consent of the Partnership, freely assign its rights and delegate its duties under this Agreement (either

directly or by operation of law) to any one of the following, provided that the assignee agrees in writing to be bound by the terms and conditions of this Agreement and provided also that the right to license the Manuals has been transferred or licensed to the assignee: (i) any Affiliate of Designs; (ii) any successor to Designs by merger or consolidation; or (iii) any purchaser of all or substantially all of the assets of Designs. The Partnership may not assign any of its rights or delegate any of its duties without the express, prior written consent of Designs. Any assignment or delegation or purported assignment or delegation made in contravention to this Section 12 shall be void and without effect. Designs may grant or deny consent in its sole discretion.

13. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the state of Delaware.

14. Further Assurances

Designs and the Partnership agree to sign those other documents and to take those other actions as the other may reasonably request in order to effect or memorialize the transactions contemplated by this Agreement.

15. Notices

Any notice required under this Agreement shall be in writing and shall be given by mail or courier delivery or by facsimile transmission addressed to:

If to Designs:

Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attn: General Counsel
Facsimile: (617) 734-3406

If to the Partnership:

The Designs/LOS Partnership
c/o Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attn: General Manager
Facsimile: (617) 734-3406

If to the LOS Partner:

LDJV Inc.
c/o Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attn: President
Facsimile: (614) 228-5769

Those addresses may be changed by delivery of a notice to that effect to the other party. Notices given in the manner contemplated by this Section 15 shall be considered "given" three business days after deposit in the mail, or the first business day after the date of delivery to a courier or receipt by facsimile transmission, as the case may be.

16. Counterparts

This Agreement may signed in any number of counterparts.

IN WITNESS WHEREOF, Designs and the Partnership signed and delivered this Agreement on the date appearing in the first paragraph of this Agreement.

The Designs/LOS Partnership

By: LDJV Inc., a Partner

By:/s/ Edward T. Murphy
Edward T. Murphy, President

By: Designs JV Corp., a Partner

By: /s/ Joel Reichman
Joel Reichman, President

Designs, Inc.

By: /s/ Joel Reichman
Joel Reichman, President

In consideration of the foregoing License Agreement (the "License Agreement"), LDJV Inc. (the "LOS Partner") hereby agrees that it shall not disclose the Proprietary Information (as defined in Section 1.3 of the License Agreement) to any person other than Designs, Inc. or The Designs/LOS Partnership and it shall not use the Proprietary Information for any purpose other than the The Designs/LOS Partnership's operation of OLSs and Outlets (as defined in the Glossary referenced in Section 1.1 of the License Agreement) pursuant to, and during the term of, the License Agreement.

Date: LDJV Inc.

By: /s/ Edward T. Murphy
Edward T. Murphy, President

ADMINISTRATIVE SERVICES AGREEMENT

THIS IS AN AGREEMENT, dated January 28, 1995 (the "Agreement"), between Designs, Inc., a Delaware corporation ("Designs"), and THE DESIGNS/OLS PARTNERSHIP, a Delaware general partnership (the "Partnership").

BACKGROUND

Simultaneously with the execution and delivery of this Agreement, Designs' wholly-owned subsidiary, Designs JV Corp. (the "Designs Partner"), has entered into an agreement (the "Partnership Agreement") with LDJV, Inc. (the "LOS Partner") creating a partnership (the "Partnership") which will operate a number of OLS and Outlet stores in the Territory. In accordance with the Partnership Agreement each of LOS and Designs are to provide certain services to the Partnership. This Agreement describes the services to be provided by Designs as well as the terms and conditions governing the extent to which Designs is obligated to provide such services. This Agreement does not cover the licensing of any intellectual or other property to the Partnership or any other services to be provided by Designs in accordance with a Business Plan approved under the Partnership Agreement.

In consideration of the premises and the mutual agreements hereinafter set forth, Designs and the Partnership agree as follows:

1. Administrative and Other Services to be Provided Hereunder. During the term of this Agreement, Designs shall provide to and for the benefit of the Partnership, and the Partnership agrees to use, the services described below (collectively, the "Corporate Services") on the terms and conditions hereof:

(a) accounting, bookkeeping, internal auditing, and payroll services, including advice related thereto, such services and advice to be provided by, or under the supervision of, Designs' internal accounting, auditing and payroll staff;

(b) providing or supervising the provision of legal advice and services, including, but not limited to, assistance with respect to claims that become or may become the subject of litigation, supervising the preparation and review of documents involving loans, financing transactions, employment and employee benefits matters, real estate matters, contractual documents, documents relating to any applicable reporting requirements promulgated by any federal, state, local or foreign government or other governmental authority, instrumentality or subdivision thereof, consultation related to legal and administrative proceedings, and consultation related to compliance with applicable laws and regulations; all lawyers providing legal services to the Partnership shall do so as counsel to the Partnership; however, if, in the reasonable opinion of Designs' outside counsel or counsel for the LOS Partner, there is a conflict in interest between Designs and the Partnership or between Designs and an LOS Party with respect to a specific matter, the Partnership may retain independent counsel with respect to that matter and the provisions of Section 5.11 of the Partnership Agreement shall govern matters relating to the activities of such independent counsel;

(c) providing or supervising, subject to the relevant provisions of the Partnership Agreement, the performance of accounting advice and services relating to any income, real estate, sales, use, personal property or other tax, including, but not limited to, the preparation or supervising the preparation of any tax returns or other documents required or which may be filed with any federal, state, local or foreign government or other governmental authority, instrumentality or subdivision thereof;

(d) assistance in organizational matters associated with meetings of the Management Committee and the committees of the Management Committee, assistance in preparation of financial reports related to the operation of the Partnership in accordance with the Partnership Agreement and Transaction Documents, employee compensation, incentive and retirement plans;

(e) human resources and personnel advice and services, including, but not limited to, providing or supervising the performance of the administration of employee insurance plans, retirement plans, and other employee benefit plans so long as same are substantially similar to those which are provided by Designs to its non-Partnership employees;

(f) real estate services, including, but not limited to, providing or supervising the performance of site evaluation and recommendation services, negotiation, development services and lease administration services; and

(g) management information and data processing services, including, but not limited to, providing or supervising the performance of sales polling and reporting, cash register support and software and hardware selection and maintenance.

If the Business Plan for any year contemplates the need for Designs to provide to the Partnership corporate services which are not Corporate Services as defined herein ("Additional Corporate Services"), the Partnership shall, subject to the provisions of Section 5.11 of the Partnership Agreement, negotiate with Designs concerning the terms and conditions for provision of the Additional Corporate Services to the Partnership by Designs. It is understood that the Partnership will engage Designs to perform any Additional Corporate Service for which terms and conditions offered by Designs are competitive with those offered by other potential providers.

Any of the Corporate Services may be provided by Designs either directly with Designs personnel or by supervision of employees of the Partnership or by third parties. If Designs determines that Corporate Services should be provided by third parties under its supervision, the Partnership shall enter into contracts or other relationships with such third parties which are appropriate to enable Designs to proceed on that basis. However, Designs may only retain such third parties on behalf of and to provide Corporate Services to the Partnership if the Corporate Service to be provided by the third party is of a type that Designs normally obtains or has obtained on behalf of Designs' non-Partnership stores or store operations.

In providing the Corporate Services to the Partnership, Designs' officers and employees shall conduct themselves in accordance with Designs' policies and procedures, and the Partnership shall follow such policies and procedures in connection with the subject matter of the Corporate Services. Designs agrees that the Corporate Services it will provide to the Partnership hereunder will generally be of no lesser quality than those similar Corporate Services which Designs provides to itself.

At the outset of this Agreement, the Partnership shall utilize equipment and systems which are compatible with Designs' systems and equipment. However, if thereafter the Management Committee of the Partnership decides that the Partnership should adopt systems and/or equipment which are incompatible with those of Designs (each an "Incompatible Item"), the GM shall, within thirty (30) days after the date of such a Management Committee decision, provide Designs with an independent evaluation (an "Independent Evaluation") listing the estimated costs and expenses for the equipment, software, maintenance, personnel, support and all other items which will be required in order for any Corporate Service affected by the Incompatible Item to be provided by each of Designs and the Partnership. If the Independent Evaluation shows that, after adoption of an Incompatible Item by the Partnership, it will cost more for Designs to provide a Corporate Service than it would cost the Partnership to provide that Corporate Service then, upon adoption of the Incompatible Item by the Partnership,

Designs shall have no further obligation to provide that Corporate Service to the Partnership. If the Independent Evaluation shows that, after adoption of an Incompatible Item by the Partnership, it will cost less for Designs to provide a Corporate Service than it would cost the Partnership to provide that Corporate Service, then the Partnership shall reimburse Designs for all of its costs and expenses associated with modifying Designs' systems and/or equipment in order for Designs to continue to provide that Corporate Service. The Independent Evaluation may include an analysis of how much it would cost the Partnership to hire an outside vendor to provide the affected Corporate Service.

2. Limitations on Designs' Obligation to Provide Services.

The parties intend that the Corporate Services be provided by Designs until such time as an employee or consultant employed or engaged by Designs to provide the Corporate Service becomes a Substantial Time Employee (as hereinafter defined). Notwithstanding this, no matter what amount of time any of them may spend providing Corporate Services, those senior employees of Designs who hold the job titles listed in Schedule "A" hereto ("Senior Staff") will not become Substantial Time Employees.

3. Cost of Corporate Services.

(a) Designs shall make best efforts to cause its employees and consultants to keep records of the time such employees and consultants devote to providing Corporate Services to the Partnership. At such time as any Designs employee who provides Corporate Services to or for the benefit of the Partnership, other than Senior Staff, has spent an average of forty (40) hours or more for eight consecutive weeks (320 hours) (each a "Substantial Time Employee") providing Corporate Services, Designs shall have the option to notify the GM of the Partnership of the fact that there is a Substantial Time Employee, which notice must specify the Corporate Service being provided by the Substantial Time Employee (a "Substantial Time Employee Notice"). The GM must, within forty five (45) days after receiving a Substantial Time Employee notice, advise Designs whether the Partnership will (i) reimburse Designs for the cost to Designs of the Substantial Time Employee continuing to provide that Corporate Service to the Partnership, (ii) offer the Substantial Time Employee providing the Corporate Service a position with the Partnership, in which event Designs agrees not to object to that employee becoming an employee of the Partnership, or (iii) retain a third party or hire a new Partnership employee to provide the Corporate Service to the Partnership. In all events, ten (10) days after Designs notifies the GM of the existence of a Substantial Time Employee, Designs shall have the absolute right to cease providing that Corporate Service to the Partnership at no cost and the Partnership shall reimburse Designs for the cost to Designs of the Substantial Time Employee to and through the forty-fifth (45th) day after the Partnership receives a Substantial Time Employee notice. For this purpose, the cost to Designs of the Substantial Time Employee shall be related direct labor cost plus the actual cost of relevant fringe benefits. If the Partnership elects (i) above, Designs shall provide the relevant Corporate Service, and the Partnership shall provide the related reimbursement, in accordance with this Section. If, by the forty-fifth (45th) day after the GM receives a Substantial Time Employee notice, Designs has not received the GM's written advice that the Partnership has elected either (i), (ii) or (iii) above, then the Partnership shall be deemed to have elected (i) and the Partnership shall thereafter be so obligated to Designs and Designs shall thereafter have no obligation to provide the affected Corporate Service to the Partnership at no cost.

(b) In addition, the Partnership shall reimburse Designs, within thirty (30) days after presentation of invoices therefor, for all out-of-pocket expenses arising out of or in connection with Designs' performance of its obligations hereunder, including, without limitation, expenses of accounting, legal, real estate, tax, personnel, or other consulting or related services, third party expenses of computers and communications and costs of travel.

4. Indemnity; Limitation of Liability.

(a) The Partnership shall indemnify and hold harmless Designs and all of its Affiliates from and against all Damages arising out of or relating to (i) any breach by the Partnership of any of its obligations under this Agreement or (ii) any other action or inaction taken or omitted by Designs hereunder, except such Damages, costs or expenses caused by the gross negligence or willful misconduct of Designs.

(b) Designs shall not be liable for any delays in the performance of any of its obligations hereunder due to causes beyond its reasonable control, including, without limitation, fire, strike, war, riots, acts of any civil or military authority, acts of God, judicial action, unavailability or shortages of labor, materials or equipment, failure or delays in delivery of Designs' vendors and suppliers, delays in transportation or communications or other force majeure.

(c) Designs shall indemnify and hold harmless the Partnership from and against all Damages arising out of or relating to any willful misconduct or gross negligence by Designs in its performance of Corporate Services.

(d) Notwithstanding the foregoing, in no event shall Designs or the Partnership ever be liable for any punitive or analogous damages, whether or not Designs or the Partnership has been advised of the possibility of such damages or any special, incidental, consequential or other Damages for any reason other than gross negligence or willful misconduct.

(e) The provisions of this Section 4 shall survive the termination of this Agreement, the Partnership and any of the Transaction Documents.

5. Termination.

(a) Except as otherwise provided in this Section 5, this Agreement shall remain effective for so long as the Designs Partner, or any entity to which the Designs Partner transfers the Designs Partner's Partnership Interest, (i) is, directly or indirectly, wholly owned by Designs or is, directly or indirectly, wholly owned by a Person which, directly or indirectly, wholly owns Designs, and (ii) the Partnership owns at least 65% of the Stores in the Territory after including in the divisor in the calculation of such percentage all Stores and all other stores which at any time were owned by the Partnership and are operating. For example, it shall terminate if the Designs Partner is acquired by any Person other than a direct or indirect wholly-owned subsidiary of Designs, if the LOS Partner or an Affiliate of the LOS Partner purchases the Designs Partner's Partnership Interest or if the Partnership is terminated.

(b) If the Partnership fails to perform any material obligations under this Agreement, Designs may give thirty days written notice to the Partnership specifying the nature of such breach and advising the Partnership that unless the breach is cured within thirty days of the date of the notice Designs shall have the right to terminate this Agreement. If such breach is not cured within such thirty day period Designs may terminate this Agreement by sending to the Partnership a notice stating that this Agreement has been terminated. A termination will become effective on the date Designs delivers to the Partnership a notice of termination.

(c) If Designs fails to perform any material obligations under this Agreement, the Partnership may give thirty days written notice to Designs specifying the nature of such breach and advising Designs that unless the breach is cured within thirty days of the date of the notice the Partnership shall have the right to terminate this Agreement. If such breach is not cured within such thirty-day period the Partnership may terminate this Agreement by sending Designs a notice stating that this Agreement has been terminated. A termination will become

effective on the date the Partnership delivers to Designs a notice of termination.

(d) Upon termination of this Agreement, Designs shall have no further obligation hereunder except as expressly set forth in Section 4(c) of this Agreement.

6. Dispute Resolution.

Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of Designs and the Partnership including, if other efforts fail, a face-to-face meeting between a senior manager of Designs and, on behalf of the Partnership, a senior manager of the LOS Partner. If any Controversy is not settled by such efforts within 30 days after Designs or the Partnership requests such a meeting, either of them shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If Designs initiates arbitration, the arbitration shall be conducted in whichever of Columbus, Ohio or San Francisco, California the LOS Partner chooses. If the Partnership initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any arbitration proceeding, obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be Designs' and the Partnership's exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on Designs and the Partnership. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, any party to the arbitration may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief. All decisions respecting any such Controversy shall be made on behalf of the Partnership by the LOS Partner in accordance with Section 5.11 of the Partnership Agreement.

7. Miscellaneous.

(a) Capitalized terms used, but not otherwise defined, herein shall have the meanings given them in the glossary which the Designs Partner and the LOS Partner executed simultaneously with execution of the Partnership Agreement, as such glossary may be amended from time to time.

(b) This Agreement shall not be assignable, in whole or in part, directly or indirectly, whether by operation of law or otherwise, by either party hereto without the prior written consent of the other, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void.

(c) Subject to the other provisions hereof and specifically to the provisions of Section 3 hereof, the Partnership shall make, execute, acknowledge, seal and deliver all such documents, and take all such other actions, as may be reasonably requested by Designs in order to effectuate the purposes of this Agreement, to comply with any applicable laws, regulations, orders and decrees in connection with any services contemplated hereby, obtain any required consents and approvals, and to make any required filings with any governmental agency, other regulatory or administrative agency, commission or similar authority. Without limiting the generality of the foregoing, the Partnership shall make available to Designs all such facilities, equipment and personnel as Designs may reasonably request in connection with performance of its services hereunder and shall provide access to all such facilities and equipment at such times, and in such manner, as Designs may request.

By: /s/ Joel Reichman
Joel Reichman, President

THE DESIGNS/OLS PARTNERSHIP

By: Designs JV Corp., a Partner

By: /s/ Joel Reichman
Joel Reichman, President

By: LDJV Inc., a Partner

By: /s/ Edward T. Murphy
Edward T. Murphy, President

THIS AGREEMENT made this 28th day of January, 1995 by and between Designs, Inc., a Delaware corporation ("Designs"), and Levi's Only Stores, Inc., a Delaware corporation ("LOS").

WHEREAS, Designs is this day transferring to The Designs/OLS Partnership (the "Partnership"), on behalf of its wholly-owned subsidiary, Designs JV Corp., eleven stores (the "Partnership Stores") doing business under the name "The Original Levi's (R) Store"; and

WHEREAS, simultaneously with such transfer, Designs is entering into asset purchase agreements which include a transfer to LOS of one other store doing business under the name "The Original Levi's Store" in Bloomington, Minnesota (the "Direct OLS Store"; the Partnership Stores and the Direct OLS Stores being hereinafter referred to as the "OLS Stores"); and

WHEREAS, Levi Strauss & Co., an affiliate of LOS, has indicated that it will not in the future license Designs to operate stores under the name The Original Levi's Store;

WHEREAS, LOS now wishes to compensate Designs for its services, contributions and risks taken in establishing the OLS Stores and The Original Levi's Store concept;

WHEREAS, LOS has agreed to pay Designs a fee of \$875,000 (the "Fee") in consideration of such services, contributions and risks;

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, Designs and LOS agree as follows:

1. At the time of the organization of the Partnership and the transfer of the Direct OLS Store to LOS, LOS shall pay to Designs the Fee.

2. This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware.

IN WITNESS WHEREOF, Designs and LOS have executed this Agreement on the date first above written.

DESIGNS, INC.

By:/s/ Joel Reichman
Joel Reichman, President

LEVI'S ONLY STORES, INC.

By:/s/ Edward T. Murphy
Edward T. Murphy, President

ASSET PURCHASE AGREEMENT

THIS IS AN ASSET PURCHASE AGREEMENT (the "Agreement") dated as of January 28, 1995, by and between LEVI'S ONLY STORES, INC., a Delaware corporation ("LOS"), and DESIGNS, INC., a Delaware corporation ("Designs"). Designs and LOS are sometimes referred to individually as a "Party" and together as the "Parties".

B A C K G R O U N D

Designs operates two retail stores on adjacent leased premises in the Mall of America in Bloomington, Minnesota (each a "Store" and together the "Stores"). One Store sells Levi's(R) branded adult jeans and jeans-related products and the other Store sells Dockers(R) products. Designs and LOS desire that LOS acquire the Stores on the terms and conditions set forth in this Agreement.

ACCORDINGLY, THE PARTIES HEREBY AGREE AS FOLLOWS:

ARTICLE 1 DEFINITIONS

1.1 Definitions

When used with initial capital letters in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person which directly or indirectly Controls, is Controlled by, or is under common Control with, the specified Person.

"Asset Statement" has the meaning set forth in Section 2.5 of this Agreement.

"Base Rate" means the "base" or "reference" rate of interest quoted, from time to time, by Bank of America, N.T. & S.A. at its headquarters in San Francisco, California. Any interest rate specified in this Agreement based upon the "Base Rate" shall be adjusted, from time to time, whenever the Base Rate changes. However, under no circumstances shall the Base Rate at any time exceed the maximum rate permitted by applicable law.

"Closing" means the signing and delivery of the Transaction Documents.

"Closing Date" means the date the Closing takes place.

"Contracts" has the meaning set forth in Subsection 2.1(c) of this Agreement.

"Control", as applied to any Person, means (and the terms "Controls", "Controlling", "Controlled by" and "under common Control with" refer to) the direct or indirect ownership of stock or other equity interests, or contract or other rights, in any such case entitling their holder to elect at least 50 percent of the directors or similar functionaries of that

Person.

"Covered Employees" has the meaning set forth in Section 4.9 of this Agreement.

"Damages" means all losses, liabilities, damages, deficiencies, judgments, assessments, interests, penalties, fines, costs and expenses (including, without limitation, fees, disbursements and other charges of attorneys, accountants, consultants, experts and other professionals and irrespective of whether any underlying liability is established). However, "Damages" shall not include any punitive, exemplary or similar damages, it being understood that punitive, exemplary and similar damages shall not be recoverable for any breach of this Agreement.

"Lien" means any mortgage, deed of trust, security interest, retention of title or lease for security purposes, pledge, charge, encumbrance, claim, easement, right of way, covenant, restriction, leasehold interest or other right of any kind of any Person in or with respect to any property.

"LS&CO." means Levi Strauss & Co., a Delaware corporation.

"Person" means any individual or entity including, without limitation, any government body.

"Purchase Prices" has the meaning set forth in Section 2.3 of this Agreement.

"Store Assets" has the meaning set forth in Sections 2.1 and 2.2 of this Agreement.

"Stores" has the meaning set forth in the "Background" paragraph of this Agreement.

"Transaction Documents" means this Agreement and all other documents, certificates and instruments signed and delivered by one or both of the Parties in order to effect the Closing.

1.2 Accounting Terms. For purposes of this Agreement, all accounting terms not otherwise defined in this Agreement have the meanings assigned to them by generally accepted accounting principles.

ARTICLE 2 THE BASIC TRANSACTION

2.1 Purchase and Sale. At the Closing, Designs shall sell and transfer to LOS, and LOS shall purchase from Designs, all of Designs' right, title and interest in and to the Store Assets. The Store Assets consist of:

(a) the lease agreements for the real estate occupied by the Stores identified on Schedule 2.1 to this Agreement (the "Leases");

(b) all fixtures and tangible personal property owned by Designs and either located at either Store at the Closing or in any event normally located at either Store (including, for example, all furniture, equipment, inventory and copies, but not originals, of records) and

(c) except as explained in Subsection 2.1(d), all rights that accrue after the Closing under all leases for fixtures and tangible personal property either located at a Store at the Closing or in any event normally located at a Store, and all rights that accrue after the Closing under all other contracts and understandings to which Designs is a party respecting any goods or services (for example, utilities) that are used or consumed at a Store (the Leases and such contracts and understandings being referred to collectively as the "Contracts"). The Contracts include, without limitation, all of

Designs' rights under purchase orders for LS&CO. products designated for delivery to either Store on or after the Closing Date.

(d) Notwithstanding Subsection 2.1(c), certain Contracts relate also to tangible personal property, other items or services that are used at stores owned or operated by Designs other than the Stores. An example is the Contract or Contracts under which Designs purchases fire protection and HVAC maintenance services. Those Contracts shall not be assigned to, or assumed by, LOS. Instead LOS shall obtain substitutes for such Contracts to use in the operation of the Stores.

Schedule 2.1 to this Agreement is a list of the Store Assets segregated by Store. However, Schedule 2.1 does not include items of owned tangible property and leases respecting tangible property that in either case had an original cost of less than \$1,000. Because Designs prepared Schedule 2.1, any failure to identify any Store Assets on Schedule 2.1 shall not prejudice LOS' right to those assets.

2.2 Excluded Assets. Despite Section 2.1, the Store Assets do not include:

(a) cash, cash equivalents, accounts receivable, deposits, claims, rights to refunds, point-of-sale registers, printers, LED displays, backroom terminals, ticket machines, ticket stock, scanners and time clocks and

(b) close-out, irregular and end-out-season product identified on Schedule 2.2 to this Agreement.

2.3 Purchase Price. The purchase price for the Store Assets (the "Purchase Price") shall equal:

$$\text{CPE} + \text{GFA} + \text{I} - \text{P} + \text{L}$$

where

CPE = the capitalized pre-opening expenses of the Stores

GFA = the gross fixed assets of the Stores as of the opening of business on the Closing Date (other than the video walls and any other fixed assets that are Excluded Assets)

I = the inventories (not constituting Excluded Assets) located at or already ordered for either Store as of the opening of business on the Closing Date that, as of that time, have not been sold by Designs but have been (or later are) paid for by Designs

P = the cumulative profit (if any) of each Store from the date each Store was opened to the opening of business on the Closing Date

L = the cumulative losses (if any) of each Store from the date each Store was opened to the Closing Date

Schedule 2.3 to this Agreement explains the manner in which the elements of this formula will be determined.

2.4 Payment. At the Closing, LOS shall pay Designs \$1,275,000 in cash. That figure represents the Parties' preliminary estimate of the Purchase Price. LOS shall wire that sum to an account designated by Designs.

2.5 Adjustment. After the Closing, the Parties shall determine the exact Purchase Price as follows:

(a) Within 60 days after the Closing, Designs shall deliver a statement to LOS setting forth all the figures needed to apply the formula in Section 2.3 (the "Asset Statement"). The Asset Statement shall be certified by Designs' Chief Financial Officer as having been prepared in accordance with generally accepted accounting principles but subject to the rules set forth on Schedule 2.3. Within 30 days after Designs delivers the Asset Statement, LOS shall (i) accept that statement or (ii) furnish Designs with a statement objecting to one or more of the figures in the Asset Statement and the basis for its objections and/or requiring that one or more of the figures in the Asset Statement be audited. If LOS does not respond within those 30 days, LOS shall be considered to have accepted the Asset Statement. Designs shall furnish LOS and its representatives with all information reasonably requested by LOS or its representatives to enable them to assess the Asset Statement both during and after that 30-day period.

(b) If LOS timely objects to any aspect of the Asset Statement or, in any event, LOS requests that one or more figures in the Asset Statement be audited, the open issues shall be resolved or the audit performed by an accounting firm jointly selected by the accounting firms normally used by LOS and Designs. The firm selected shall be instructed to resolve the matters in controversy within 30 days after it is selected or as soon thereafter as is reasonable. The Parties shall furnish that firm with all information it reasonably requests in order to perform its task and meet that schedule. That firm's resolution of the open issues shall bind both Parties. LOS shall pay the fees and expenses of that firm.

(c) Within three days after the final Asset Statement has been completed (whether by acquiescence, negotiation or submission to the third accounting firm), LOS shall pay an additional amount to Designs or Designs shall refund an amount to LOS (whichever is appropriate) equal to the amount by which the Purchase Price shown on the final Asset Statement differs from the estimated amount that LOS paid to Designs at Closing under Section 2.4. That payment or refund shall be accompanied by interest from the Closing Date to the date of the payment or refund calculated at the Base Rate.

2.6 Assumptions. Subject to the accuracy of Designs' representations and warranties set forth in the first three sentences of Section 4.6 of this Agreement and except as set forth in Subsection 2.1(d), at the Closing, LOS shall assume Designs' obligations under each Contract, to the extent (but only to the extent) that those obligations accrue after the Closing.

2.7 Gift Certificates and Credits. Before the Closing, Designs issued gift certificates and merchandise credits that are redeemable at the Stores. A number of those certificates and credits are still outstanding. LOS shall honor those certificates and credits after the Closing. LOS shall periodically submit copies of those gift certificates and merchandise credits redeemed after the Closing to Designs or, instead, a statement listing the serial numbers and face amounts of those redeemed certificates and credits. Within ten days after each such submission, Designs shall pay LOS an amount equal to the total face amount of the redeemed certificates and credits that were the subject of that submission.

2.8 No Other Assumptions. LOS shall not assume any obligations or liabilities of Designs, except as expressly provided in Sections 2.6 and 2.7. For example, Designs shall retain and discharge all obligations and liabilities associated with its employees, including all of its employees who are hired by LOS, for the period they were or are employed by Designs, including, without limitation, any and all obligations and liabilities for severance, vacation, personal time and sick time.

2.9 Prorations. In order to implement this Article 2, Designs and LOS shall prorate, as between them, all expenses associated with the Store Assets and the operation of the Stores.

They shall do that as of the opening of business on the Closing Date. Examples are utilities, rent (including, for example, common area maintenance charges), insurance premiums (unless and to the extent LOS displaces existing coverage with other coverage), HVAC maintenance charges and security service charges. The prorations shall be based on the number of days elapsed during the relevant period that includes the Closing Date, unless such proration period would be manifestly unfair. An example of such "unfairness" would be a waterpipe break at a Store, two days after the Closing Date, that results in charges for one million gallons of water on the water bill for that Store for the period that includes the Closing Date. Under that circumstance, LOS would pay those incremental charges.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF LOS

LOS represents and warrants to Designs that, except as shown on Schedule 3, as of the Closing:

3.1 Organization and Authority. LOS is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. LOS has also qualified to conduct business or is in the process of qualifying to conduct business in the State of Minnesota. LOS has all requisite power and authority to enter into and perform the Transaction Documents. The signing, delivery and performance by LOS of the Transaction Documents have been duly and validly authorized by all necessary corporate action on the part of LOS. Each Transaction Document constitutes a valid and binding obligation of LOS enforceable against LOS in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by LOS of each Transaction Document will not: (a) violate or conflict with any provision of LOS' Certificate of Incorporation or Bylaws, (b) violate, conflict with or result in a breach or termination of any contract or other instrument to which LOS is a party or by which any of its assets is bound, (c) result in the creation of any Lien on any assets of LOS, (d) violate any judgment, order, injunction, decree or award that binds LOS or any of its assets or (e) constitute a violation of law.

3.2 Consents and Approvals. Schedule 3.2 to this Agreement lists all consents and approvals of, and filings and registrations with, all Persons required in order for LOS to sign, deliver and perform the Transaction Documents. An example is consents from LS&CO.'s lenders. LOS has obtained all of those consents and approvals and made all of those filings and registrations.

3.3 Litigation and Claims. Subject to Schedule 3.3, there is no suit, action, investigation or other proceeding pending or, to the best knowledge of LOS, threatened against LOS relating to any of the transactions contemplated by this Agreement.

3.4 Brokers and Finders. Subject to Schedule 3.4, no broker, finder or other Person acting on behalf of LOS is or will be entitled to any commission, fee or reimbursement in connection with any of the transactions contemplated by this Agreement. Designs shall have no liability to pay any broker, finder or other Person, who may have acted on behalf of LOS, for any commission, fee or reimbursement in connection with the transactions contemplated by this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF DESIGNS

Designs represents and warrants to LOS that, except as shown on Schedule 4, as of the Closing:

4.1 Organization and Authority. Designs is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Designs is also duly qualified to

conduct business and is in good standing in the State of Minnesota. Designs has all requisite power and authority to lease and operate the Stores, to carry on the business of the Stores and to enter into and perform the Transaction Documents. The signing, delivery and performance by Designs of the Transaction Documents have been duly and validly authorized by all necessary corporate action on the part of Designs. Each Transaction Document constitutes a valid and binding obligation of Designs and is enforceable against Designs in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by Designs of each Transaction Document will not: (a) violate or conflict with any provision of Designs' Certificate of Incorporation or Bylaws, (b) violate, conflict with or result in a breach or termination of any contract or other instrument (including any Contract) to which Designs is a party or by which any of its assets (including any Store Assets) is bound, (c) result in the creation of any Lien on any assets of Designs (including any Store Assets), (d) violate any judgment, order, injunction, decree or award that binds Designs or any of its assets (including any Store Assets) or (e) constitute a violation of law.

4.2 Consents, Permits and Approvals. Schedule 4.2 to this Agreement lists all consents, permits and approvals of, and filings and registrations with, all Persons required in order for Designs to sign, deliver and perform the Transaction Documents and to enable LOS to continue to conduct, at each Store after the Closing, the business that Designs conducted at that Store before the Closing. Examples are consents from landlords under the Leases, consents from other parties under other Contracts, consents from Designs' lenders, and transferred or reissued operating permits. Designs has obtained all of those consents, permits and approvals and made all of those filings and registrations.

4.3 Litigation and Claims. There is no suit, action, investigation or other proceeding pending or, to the best knowledge of Designs, threatened against Designs relating to any of the transactions contemplated by this Agreement, any of the Store Assets (whether a Contract or another asset), either Store or any aspect of the business conducted at either Store. Nor is there any outstanding judgment, order, injunction, decree or award that binds Designs with respect to, or otherwise affects, any of the Store Assets (whether a Contract or another asset), either Store or any aspect of the business conducted at either Store.

4.4 Compliance with Laws. Before the Closing, Designs was conducting the business of the Stores in substantial compliance with all laws applicable to Designs including, for example, all laws relating to employees, safety, the environment, consumer protection and land use.

4.5 Title and Condition. At the Closing, Designs is conveying to LOS good title in and to all the Store Assets free and clear of all Liens. Immediately after the Closing, LOS will have good title to all the Store Assets free and clear of all Liens. To the best knowledge of Designs: (i) there are no material defects in the premises covered by either of the Leases or the real estate on which those premises are located; (ii) the utilities and other systems that serve those premises and real estate are in normal working order and condition, ordinary wear and tear excepted and (iii) all the material fixtures, equipment, furniture and vehicles that are included among the Store Assets, as well as all the material fixtures, equipment, furniture and vehicles leased or otherwise used at the Stores, are also in normal working order and condition, ordinary wear and tear excepted.

4.6 Contracts. All the Contracts are identified on Schedule 2.1. They constitute all the Contracts relating to either Store or the business conducted at either Store. Designs

has given LOS correct and complete copies of all the Contracts, including copies of all amendments to all the Contracts and all material written waivers of rights under all the Contracts. All the Contracts are legal, valid and binding obligations of Designs. To the knowledge of Designs, all the Contracts are also legal, valid and binding obligations of the other parties to the Contracts. Neither Designs nor, to the knowledge of Designs, any other party to any Contract is in material default under any Contract. Neither Designs nor, to the knowledge of Designs, any other such party has repudiated or purported to repudiate any Contract. No party to any Contract is an Affiliate, director or officer of Designs.

4.7 Financial Statements. Schedule 4.7 contains an income statement and a balance sheet for the Stores for the periods and as of the dates indicated on Schedule 4.7. That income statement and balance sheet were prepared in accordance with generally accepted accounting principles except to the extent indicated on Schedule 4.7.

4.8 Employees. Designs is not a party to any collective bargaining agreement that covers any of the employees who presently work at, or at any time during the 12 months before the Closing worked at, either of the Stores (in either case, "Covered Employees"). To Designs' best knowledge, no union or other labor organization is attempting or has attempted to organize any of the Covered Employees. Except as shown on Schedule 4.8, Designs neither maintains or contributes to, nor has maintained or contributed to, any "employee pension benefit plan" (including any "multiemployer plan") or any "employee welfare benefit plan" (in each such case within the meaning of the Employee Retirement Income Security Act of 1974, as amended, or any rule or regulation adopted under that act) in which any Covered Employees participate or have participated.

4.9 Brokers and Finders. Except for Financo, no broker, finder or other Person acting on behalf of Designs is or will be entitled to any commission, fee or reimbursement in connection with any of the transactions contemplated by this Agreement, it being understood that Designs shall pay the fee of Financo. LOS shall have no liability for that firm's fee.

ARTICLE 5
EMPLOYEES

At the Closing, Designs shall make available to LOS, for hiring by LOS, all the employees identified on Schedule 5.

ARTICLE 6
INDEMNIFICATION

6.1 By LOS. LOS shall indemnify Designs and Designs' Affiliates and hold them harmless from and against any and all Damages arising from: (a) any breach of any covenant, representation or warranty of LOS set forth in this Agreement; (b) all obligations of Designs to the extent (but only to the extent) that LOS expressly assumed them under Section 2.6 or 2.7 of this Agreement and (c) all obligations and liabilities of LOS that arise from LOS' ownership or operation of the Stores after the Closing other than because LOS assumed the accuracy of one or more of Designs' representations and warranties contained in this Agreement.

6.2 By Designs. Designs shall indemnify LOS and LOS' Affiliates and hold them harmless from and against any and all Damages arising from (a) any breach of any covenant, representation or warranty of Designs set forth in this Agreement; (b) all obligations and liabilities of Designs that in any way relate to or are connected with either of the Stores or their past or present operation, other than the obligations that LOS expressly assumed under Section 2.6 or 2.7 of this Agreement and (c) the failure to comply with bulk sales laws (if applicable) or any similar laws in connection with the transactions contemplated by this Agreement.

6.3 Indemnification Rules. Indemnification under this Article 6 shall be governed by the rules set forth in Schedule 6.3 to this Agreement.

6.4 Deductible. Notwithstanding anything to the contrary in this Agreement or otherwise provided by law, neither Party shall be required to indemnify the other Party or the other Party's Affiliates unless the total amount required to be so indemnified exceeds \$10,000 (for all matters combined), in which case the amount indemnified shall be the amount in excess of \$10,000.

6.5 Limitation. Notwithstanding anything to the contrary in this Agreement or otherwise provided by law, neither Party shall be required to indemnify the other Party or the other Party's Affiliates for any amount (for all matters combined) in excess of the Purchase Price.

6.6 Survival. The covenants, representations and warranties set forth in this Agreement shall survive the Closing.

ARTICLE 7 DISPUTE RESOLUTION

Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of LOS and Designs including, if other efforts fail, a face-to-face meeting between a senior manager of LOS and a senior manager of Designs. If any Controversy is not settled by such efforts within 30 days after LOS or Designs requests such a meeting, either of them shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If Designs initiates arbitration, the arbitration shall be conducted in whichever of Columbus, Ohio or San Francisco, California LOS chooses. If LOS initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any arbitration proceeding, obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be the Parties' exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on both Parties. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, LOS or Designs may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief.

ARTICLE 8 MISCELLANEOUS

8.1 Sales and Lease Transfer Taxes. Each Party shall pay one-half of any sales or lease transfer taxes payable in connection with the transactions contemplated by this Agreement.

8.2 Further Assurances. After the Closing, each Party, at its own expense, shall sign and deliver all documents and take all other actions reasonably requested by the other Party in order to memorialize or better effectuate the sale of the Store Assets to LOS and LOS' assumption of the obligations required by Section 2.6 of this Agreement.

8.3 Successors and Assigns. The Parties shall not assign any of their rights or delegate any of their duties under this Agreement. Any purported assignment or delegation in violation of this Agreement shall be void.

8.4 Amendments. All amendments to this Agreement must be in writing and be signed by both Parties.

8.5 Notices. All notices under this Agreement shall be in writing and shall be deemed to have been duly given only if and when delivered by hand, by overnight delivery service or by telecopier, in all cases with receipt confirmed, to the appropriate addressees and the addresses or telecopier numbers set forth below, or to such other addressees, addresses or telecopier numbers as may be designated by notice given in accordance with this section:

If to Designs:
Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: Chief Executive Officer
Facsimile: (617) 734-3406

with a copy to:

Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: General Counsel
Facsimile: (617) 734-3406

If to LOS:

Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attention: President
Facsimile: (614) 228-5769

with a copy to:

Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, California 94111
Attention: General Counsel/LOS
Facsimile: (415) 544-7650

8.6 Counterparts. This Agreement may be signed in one or more counterparts. Each counterpart shall be deemed an original of this Agreement.

8.7 Entire Agreement. This Agreement (including the Schedules to this Agreement) and the other Transaction Documents contain all the understandings between the Parties with respect to the subject matter of this Agreement. They supersede all prior and contemporaneous agreements and understandings among the Parties and their Affiliates relating to that subject matter.

8.8 Severability. If any portion of this Agreement is determined to be invalid or unenforceable, it shall be modified rather than voided, if possible, in order to carry out the intent of this Agreement. In any event, the remainder of this Agreement shall be valid and enforceable to the fullest extent possible.

8.9 No Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties and is not for the benefit of any third party.

8.10 Costs of Enforcement. If either Party to this Agreement seeks to enforce its rights under this Agreement by formal proceedings or otherwise, the non-prevailing Party shall pay all costs and expenses incurred by the prevailing Party (who

shall be the Party which obtains substantially the relief it sought, whether by settlement, compromise or judgment), including, without limitation, all reasonable attorneys' fees and costs.

8.11 Expenses. Each Party shall pay its own expenses incurred in negotiating and drafting this Agreement and the other Transaction Documents and in effecting the Closing.

8.12 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts entered into and to be performed within Delaware by Delaware residents.

* * *

The Parties have signed and delivered this Agreement as of the date that appears in its first paragraph.

LEVI'S ONLY STORES, INC.

By _____
Edward T. Murphy,
President

DESIGNS, INC.

By _____
Joel Reichman,
President

Schedules

- 2.1 Store Assets
- 2.2 Excluded Inventory
- 2.3 Calculation of Purchase Price
- 3 Exceptions to LOS' Representations
- 3.2 LOS Consents and Approvals
- 3.3 LOS Litigation and Claims
- 3.4 LOS Brokers and Finders
- 4 Exceptions to Designs' Representations
- 4.2 Designs' Consents, Permits and Approvals
- 4.7 Financial Statements
- 4.8 Employee Information
- 5 List of Employees
- 6.3 Indemnification Rules

ASSET PURCHASE AGREEMENT

between

LEVI'S ONLY STORES, INC.

and

DESIGNS, INC.

(Minnesota)

dated as of
January 28, 1995

ASSET PURCHASE AGREEMENT

THIS IS AN ASSET PURCHASE AGREEMENT (the "Agreement") dated as of January 28, 1995, by and between LEVI'S ONLY STORES, INC., a Delaware corporation ("LOS"), and DESIGNS, INC., a Delaware corporation ("Designs"). Designs and LOS are sometimes referred to individually as a "Party" and together as the "Parties".

B A C K G R O U N D

Designs operates a retail store in the Cambridgeside Mall in Cambridge, Massachusetts (the "Store"). The Store, called the "Dockers(R) Shop", sells Dockers(R) products. Designs and LOS desire that LOS acquire the Store on the terms and conditions set forth in this Agreement.

ACCORDINGLY, THE PARTIES HEREBY AGREE AS FOLLOWS:

ARTICLE 1 DEFINITIONS

1.1 Definitions

When used with initial capital letters in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person which directly or indirectly Controls, is Controlled by, or is under common Control with, the specified Person.

"Asset Statement" has the meaning set forth in Section 2.5 of this Agreement.

"Base Rate" means the "base" or "reference" rate of interest quoted, from time to time, by Bank of America, N.T. & S.A. at its headquarters in San Francisco, California. Any interest rate specified in this Agreement based upon the "Base Rate" shall be adjusted, from time to time, whenever the Base Rate changes. However, under no circumstances shall the Base Rate at any time exceed the maximum rate permitted by applicable law.

"Closing" means the signing and delivery of the Transaction Documents.

"Closing Date" means the date the Closing takes place.

"Contracts" has the meaning set forth in Subsection 2.1(c) of this Agreement.

"Control", as applied to any Person, means (and the terms "Controls", "Controlling", "Controlled by" and "under common Control with" refer to) the direct or indirect ownership of stock or other equity interests, or contract or other rights, in any such case entitling their holder to elect at least 50 percent of the directors or similar functionaries of that Person.

"Covered Employees" has the meaning set forth in Section 4.9 of this Agreement.

"Damages" means all losses, liabilities, damages, deficiencies, judgments, assessments, interests, penalties, fines, costs and expenses (including, without limitation, fees, disbursements and other charges of attorneys, accountants, consultants, experts and other professionals and irrespective of whether any underlying liability is established). However, "Damages" shall not include any punitive, exemplary or similar damages, it being understood that punitive, exemplary and similar damages shall not be recoverable for any breach of this Agreement.

"Lien" means any mortgage, deed of trust, security interest, retention of title or lease for security purposes, pledge, charge, encumbrance, claim, easement, right of way, covenant, restriction, leasehold interest or other right of any kind of any Person in or with respect to any property.

"LS&CO." means Levi Strauss & Co., a Delaware corporation.

"Person" means any individual or entity including, without limitation, any government body.

"Purchase Price" has the meaning set forth in Section 2.3 of this Agreement.

"Store Assets" has the meaning set forth in Sections 2.1 and 2.2 of this Agreement.

"Store" has the meaning set forth in the "Background" paragraph of this Agreement.

"Transaction Documents" means this Agreement and all other documents, certificates and instruments signed and delivered by one or both of the Parties in order to effect the Closing.

1.2 Accounting Terms. For purposes of this Agreement, all accounting terms not otherwise defined in this Agreement have the meanings assigned to them by generally accepted accounting principles.

ARTICLE 2 THE BASIC TRANSACTION

2.1 Purchase and Sale. At the Closing, Designs shall sell and transfer to LOS, and LOS shall purchase from Designs, all of Designs' right, title and interest in and to the Store Assets. The Store Assets consist of:

(a) the lease agreement for the real estate occupied by the Store identified on Schedule 2.1 to this Agreement (the "Lease");

(b) all fixtures and tangible personal property owned by Designs and either located at the Store at the Closing or in any event normally located at the Store (including, for example, all furniture, equipment, inventory and copies, but not originals, of records) and

(c) except as explained in Subsection 2.1(d), all rights that accrue after the Closing under all leases for fixtures and tangible personal property either located at the Store at the Closing or in any event normally located at the Store, and all rights that accrue after the Closing under all other contracts and understandings to which Designs is a party respecting any goods or services (for example, utilities) that are used or consumed at the Store (the Lease and such contracts and understandings being referred to collectively as the "Contracts"). The Contracts include, without limitation, all of Designs' rights under purchase orders for LS&CO. products

designated for delivery to the Store on or after the Closing Date.

(d) Notwithstanding Subsection 2.1(c), certain Contracts relate also to tangible personal property, other items or services that are used at stores owned or operated by Designs other than the Store. An example is the Contract or Contracts under which Designs purchases fire protection and HVAC maintenance services. Those Contracts shall not be assigned to, or assumed by, LOS. Instead LOS shall obtain substitutes for such Contracts to use in the operation of the Store.

Schedule 2.1 to this Agreement is a list of the Store Assets. However, Schedule 2.1 does not include items of owned tangible property and leases respecting tangible property that in either case had an original cost of less than \$1,000. Because Designs prepared Schedule 2.1, any failure to identify any Store Assets on Schedule 2.1 shall not prejudice LOS' right to those assets.

2.2 Excluded Assets. Despite Section 2.1, the Store Assets do not include:

(a) cash, cash equivalents, accounts receivable, deposits, claims, rights to refunds, point-of-sale registers, printers, LED displays, backroom terminals, ticket machines, ticket stock, scanners and time clocks and

(b) close-out, irregular and end-out-season product identified on Schedule 2.2 to this Agreement.

2.3 Purchase Price. The purchase price for the Store Assets (the "Purchase Price") shall equal:

$CPE + GFA + I - P + L$

where

CPE = the capitalized pre-opening expenses of the Store

GFA = the gross fixed assets of the Store as of the opening of business on the Closing Date (other than any fixed assets that are Excluded Assets)

I = the inventories (not constituting Excluded Assets) located at or already ordered for the Store as of the opening of business on the Closing Date that, as of that time, have not been sold by Designs but have been (or later are) paid for by Designs

P = the cumulative profit (if any) of the Store from the date the Store was opened to the opening of business on the Closing Date

L = the cumulative losses (if any) of the Store from the date the Store was opened to the Closing Date

Schedule 2.3 to this Agreement explains the manner in which the elements of this formula will be determined.

2.4 Payment. At the Closing, LOS shall pay Designs \$1,239,000 in cash. That figure represents the Parties' preliminary estimate of the Purchase Price. LOS shall wire that sum to an account designated by Designs.

2.5 Adjustment. After the Closing, the Parties shall determine the exact Purchase Price as follows:

(a) Within 60 days after the Closing, Designs shall deliver a statement to LOS setting forth all the figures needed

to apply the formula in Section 2.3 (the "Asset Statement"). The Asset Statement shall be certified by Designs' Chief Financial Officer as having been prepared in accordance with generally accepted accounting principles but subject to the rules set forth on Schedule 2.3. Within 30 days after Designs delivers the Asset Statement, LOS shall (i) accept that statement or (ii) furnish Designs with a statement objecting to one or more of the figures in the Asset Statement and the basis for its objections and/or requiring that one or more of the figures in the Asset Statement be audited. If LOS does not respond within those 30 days, LOS shall be considered to have accepted the Asset Statement. Designs shall furnish LOS and its representatives with all information reasonably requested by LOS or its representatives to enable them to assess the Asset Statement both during and after that 30-day period.

(b) If LOS timely objects to any aspect of the Asset Statement or, in any event, LOS requests that one or more figures in the Asset Statement be audited, the open issues shall be resolved or the audit performed by an accounting firm jointly selected by the accounting firms normally used by LOS and Designs. The firm selected shall be instructed to resolve the matters in controversy within 30 days after it is selected or as soon thereafter as is reasonable. The Parties shall furnish that firm with all information it reasonably requests in order to perform its task and meet that schedule. That firm's resolution of the open issues shall bind both Parties. LOS shall pay the fees and expenses of that firm.

(c) Within three days after the final Asset Statement has been completed (whether by acquiescence, negotiation or submission to the third accounting firm), LOS shall pay an additional amount to Designs or Designs shall refund an amount to LOS (whichever is appropriate) equal to the amount by which the Purchase Price shown on the final Asset Statement differs from the estimated amount that LOS paid to Designs at Closing under Section 2.4. That payment or refund shall be accompanied by interest from the Closing Date to the date of the payment or refund calculated at the Base Rate.

2.6 Assumptions. Subject to the accuracy of Designs' representations and warranties set forth in the first three sentences of Section 4.6 of this Agreement and except as set forth in Subsection 2.1(d), at the Closing, LOS shall assume Designs' obligations under each Contract, to the extent (but only to the extent) that those obligations accrue after the Closing.

2.7 Gift Certificates and Credits. Before the Closing, Designs issued gift certificates and merchandise credits that are redeemable at the Store. A number of those certificates and credits are still outstanding. LOS shall honor those certificates and credits after the Closing. LOS shall periodically submit copies of those gift certificates and merchandise credits redeemed after the Closing to Designs or, instead, a statement listing the serial numbers and face amounts of those redeemed certificates and credits. Within ten days after each such submission, Designs shall pay LOS an amount equal to the total face amount of the redeemed certificates and credits that were the subject of that submission.

2.8 No Other Assumptions. LOS shall not assume any obligations or liabilities of Designs, except as expressly provided in Sections 2.6 and 2.7. For example, Designs shall retain and discharge all obligations and liabilities associated with its employees, including all of its employees who are hired by LOS, for the period they were or are employed by Designs, including, without limitation, any and all obligations and liabilities for severance, vacation, personal time and sick time.

2.9 Prorations. In order to implement this Article 2, Designs and LOS shall prorate, as between them, all expenses associated with the Store Assets and the operation of the Store. They shall do that as of the opening of business on the Closing Date. Examples are utilities, rent (including, for example, common area maintenance charges), insurance premiums (unless and

to the extent LOS displaces existing coverage with other coverage), HVAC maintenance charges and security service charges. The prorations shall be based on the number of days elapsed during the relevant period that includes the Closing Date, unless such proration period would be manifestly unfair. An example of such "unfairness" would be a waterpipe break at the Store, two days after the Closing Date, that results in charges for one million gallons of water on the water bill for the Store for the period that includes the Closing Date. Under that circumstance, LOS would pay those incremental charges.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF LOS

LOS represents and warrants to Designs that, except as shown on Schedule 3, as of the Closing:

3.1 Organization and Authority. LOS is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. LOS has also qualified to conduct business or is in the process of qualifying to conduct business in the Commonwealth of Massachusetts. LOS has all requisite power and authority to enter into and perform the Transaction Documents. The signing, delivery and performance by LOS of the Transaction Documents have been duly and validly authorized by all necessary corporate action on the part of LOS. Each Transaction Document constitutes a valid and binding obligation of LOS enforceable against LOS in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by LOS of each Transaction Document will not: (a) violate or conflict with any provision of LOS' Certificate of Incorporation or Bylaws, (b) violate, conflict with or result in a breach or termination of any contract or other instrument to which LOS is a party or by which any of its assets is bound, (c) result in the creation of any Lien on any assets of LOS, (d) violate any judgment, order, injunction, decree or award that binds LOS or any of its assets or (e) constitute a violation of law.

3.2 Consents and Approvals. Schedule 3.2 to this Agreement lists all consents and approvals of, and filings and registrations with, all Persons required in order for LOS to sign, deliver and perform the Transaction Documents. An example is consents from LS&CO.'s lenders. LOS has obtained all of those consents and approvals and made all of those filings and registrations.

3.3 Litigation and Claims. Subject to Schedule 3.3, there is no suit, action, investigation or other proceeding pending or, to the best knowledge of LOS, threatened against LOS relating to any of the transactions contemplated by this Agreement.

3.4 Brokers and Finders. Subject to Schedule 3.4, no broker, finder or other Person acting on behalf of LOS is or will be entitled to any commission, fee or reimbursement in connection with any of the transactions contemplated by this Agreement. Designs shall have no liability to any broker, finder or other Person, who may have acted on behalf of LOS, for any commission, fee or reimbursement in connection with the transactions contemplated by this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF DESIGNS

Designs represents and warrants to LOS that, except as shown on Schedule 4, as of the Closing:

4.1 Organization and Authority. Designs is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Designs is also duly qualified to conduct business and is in good standing in the Commonwealth of Massachusetts. Designs has all requisite power and authority to lease and operate the Store, to carry on the business of the

Store and to enter into and perform the Transaction Documents. The signing, delivery and performance by Designs of the Transaction Documents have been duly and validly authorized by all necessary corporate action on the part of Designs. Each Transaction Document constitutes a valid and binding obligation of Designs and is enforceable against Designs in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by Designs of each Transaction Document will not: (a) violate or conflict with any provision of Designs' Certificate of Incorporation or Bylaws, (b) violate, conflict with or result in a breach or termination of any contract or other instrument (including any Contract) to which Designs is a party or by which any of its assets (including any Store Assets) is bound, (c) result in the creation of any Lien on any assets of Designs (including any Store Assets), (d) violate any judgment, order, injunction, decree or award that binds Designs or any of its assets (including any Store Assets) or (e) constitute a violation of law.

4.2 Consents, Permits and Approvals. Schedule 4.2 to this Agreement lists all consents, permits and approvals of, and filings and registrations with, all Persons required in order for Designs to sign, deliver and perform the Transaction Documents and to enable LOS to continue to conduct, at the Store after the Closing, the business that Designs conducted at the Store before the Closing. Examples are consents from landlords under the Lease, consents from other parties under other Contracts, consents from Designs' lenders, and transferred or reissued operating permits. Designs has obtained all of those consents, permits and approvals and made all of those filings and registrations.

4.3 Litigation and Claims. There is no suit, action, investigation or other proceeding pending or, to the best knowledge of Designs, threatened against Designs relating to any of the transactions contemplated by this Agreement, any of the Store Assets (whether a Contract or another asset), the Store or any aspect of the business conducted at the Store. Nor is there any outstanding judgment, order, injunction, decree or award that binds Designs with respect to, or otherwise affects, any of the Store Assets (whether a Contract or another asset), the Store or any aspect of the business conducted at the Store.

4.4 Compliance with Laws. Before the Closing, Designs was conducting the business of the Store in substantial compliance with all laws applicable to Designs including, for example, all laws relating to employees, safety, the environment, consumer protection and land use.

4.5 Title and Condition. At the Closing, Designs is conveying to LOS good title in and to all the Store Assets free and clear of all Liens. Immediately after the Closing, LOS will have good title to all the Store Assets free and clear of all Liens. To the best knowledge of Designs: (i) there are no material defects in the premises covered by the Lease or the real estate on which those premises are located; (ii) the utilities and other systems that serve those premises and real estate are in normal working order and condition, ordinary wear and tear excepted and (iii) all the material fixtures, equipment, furniture and vehicles that are included among the Store Assets, as well as all the material fixtures, equipment, furniture and vehicles leased or otherwise used at the Store, are also in normal working order and condition, ordinary wear and tear excepted.

4.6 Contracts. All the Contracts are identified on Schedule 2.1. They constitute all the Contracts relating to the Store or the business conducted at the Store. Designs has given LOS correct and complete copies of all the Contracts, including copies of all amendments to all the Contracts and all material written waivers of rights under all the Contracts. All the Contracts are legal, valid and binding obligations of Designs.

To the knowledge of Designs, all the Contracts are also legal, valid and binding obligations of the other parties to the Contracts. Neither Designs nor, to the knowledge of Designs, any other party to any Contract is in material default under any Contract. Neither Designs, nor to the knowledge of Designs, any other such party has repudiated or purported to repudiate any Contract. No party to any Contract is an Affiliate, director or officer of Designs.

4.7 Financial Statements. Schedule 4.7 contains an income statement and a balance sheet for the Store for the periods and as of the dates indicated on Schedule 4.7. That income statement and balance sheet were prepared in accordance with generally accepted accounting principles except to the extent indicated on Schedule 4.7.

4.8 Employees. Designs is not a party to any collective bargaining agreement that covers any of the employees who presently work at, or at any time during the 12 months before the Closing worked at, the Store (in either case, "Covered Employees"). To Designs' best knowledge, no union or other labor organization is attempting or has attempted to organize any of the Covered Employees. Except as shown on Schedule 4.8, Designs neither maintains or contributes to, nor has maintained or contributed to, any "employee pension benefit plan" (including any "multiemployer plan") or any "employee welfare benefit plan" (in each such case within the meaning of the Employee Retirement Income Security Act of 1974, as amended, or any rule or regulation adopted under that act) in which any Covered Employees participate or have participated.

4.9 Brokers and Finders. Except for Financo, no broker, finder or other Person acting on behalf of Designs is or will be entitled to any commission, fee or reimbursement in connection with any of the transactions contemplated by this Agreement, it being understood that Designs shall pay the fee of Financo. LOS shall have no liability for that firm's fee.

ARTICLE 5 EMPLOYEES

At the Closing, Designs shall make available to LOS, for hiring by LOS, all the employees identified on Schedule 5.

ARTICLE 6 INDEMNIFICATION

6.1 By LOS. LOS shall indemnify Designs and Designs' Affiliates and hold them harmless from and against any and all Damages arising from: (a) any breach of any covenant, representation or warranty of LOS set forth in this Agreement; (b) all obligations of Designs to the extent (but only to the extent) that LOS expressly assumed them under Section 2.6 or 2.7 of this Agreement and (c) all obligations and liabilities of LOS that arise from LOS' ownership or operation of the Store after the Closing other than because LOS assumed the accuracy of one or more of Designs' representations and warranties contained in this Agreement.

6.2 By Designs. Designs shall indemnify LOS and LOS' Affiliates and hold them harmless from and against any and all Damages arising from (a) any breach of any covenant, representation or warranty of Designs set forth in this Agreement; (b) all obligations and liabilities of Designs that in any way relate to or are connected with the Store or its past or present operation, other than the obligations that LOS expressly assumed under Section 2.6 or 2.7 of this Agreement and (c) the failure to comply with bulk sales laws (if applicable) or any similar laws in connection with the transactions contemplated by this Agreement.

6.3 Indemnification Rules. Indemnification under this Article 6 shall be governed by the rules set forth in Schedule 6.3 to this Agreement.

6.4 Deductible. Notwithstanding anything to the contrary in this Agreement or otherwise provided by law, neither Party shall be required to indemnify the other Party or the other Party's Affiliates unless the total amount required to be so indemnified exceeds \$10,000 (for all matters combined), in which case the amount indemnified shall be the amount in excess of \$10,000.

6.5 Limitation. Notwithstanding anything to the contrary in this Agreement or otherwise provided by law, neither Party shall be required to indemnify the other Party or the other Party's Affiliates for any amount (for all matters combined) in excess of the Purchase Price.

6.6 Survival. The covenants, representations and warranties set forth in this Agreement shall survive the Closing.

ARTICLE 7 DISPUTE RESOLUTION

Any Controversy under this Agreement or respecting any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of LOS and Designs including, if other efforts fail, a face-to-face meeting between a senior manager of LOS and a senior manager of Designs. If any Controversy is not settled by such efforts within 30 days after LOS or Designs requests such a meeting, either of them shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If Designs initiates arbitration, the arbitration shall be conducted in whichever of Columbus, Ohio or San Francisco, California LOS chooses. If LOS initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any arbitration proceeding, obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be the Parties' exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on both Parties. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, LOS or Designs may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief.

ARTICLE 8 MISCELLANEOUS

8.1 Sales and Lease Transfer Taxes. Each Party shall pay one-half of any sales or lease transfer taxes payable in connection with the transactions contemplated by this Agreement.

8.2 Further Assurances. After the Closing, each Party, at its own expense, shall sign and deliver all documents and take all other actions reasonably requested by the other Party in order to memorialize or better effectuate the sale of the Store Assets to LOS and LOS' assumption of the obligations required by Section 2.6 of this Agreement.

8.3 Successors and Assigns. The Parties shall not assign any of their rights or delegate any of their duties under this Agreement. Any purported assignment or delegation in violation of this Agreement shall be void.

8.4 Amendments. All amendments to this Agreement must be in writing and be signed by both Parties.

8.5 Notices. All notices under this Agreement shall be in writing and shall be deemed to have been duly given only if and when delivered by hand, by overnight delivery service or by

telecopier, in all cases with receipt confirmed, to the appropriate addressees and the addresses or telecopier numbers set forth below, or to such other addressees, addresses or telecopier numbers as may be designated by notice given in accordance with this section:

If to Designs:
Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: Chief Executive Officer
Facsimile: (617) 734-3406

with a copy to:

Designs, Inc.
1244 Boylston Street
Chestnut Hill, Massachusetts 02167
Attention: General Counsel
Facsimile: (617) 734-3406

If to LOS:

Levi's Only Stores, Inc.
116 East Chestnut Street
Columbus, Ohio 43215
Attention: President
Facsimile: (614) 228-5769

with a copy to:

Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, California 94111
Attention: General Counsel/LOS
Facsimile: (415) 544-7650

8.6 Counterparts. This Agreement may be signed in one or more counterparts. Each counterpart shall be deemed an original of this Agreement.

8.7 Entire Agreement. This Agreement (including the Schedules to this Agreement) and the other Transaction Documents contain all the understandings between the Parties with respect to the subject matter of this Agreement. They supersede all prior and contemporaneous agreements and understandings among the Parties and their Affiliates relating to that subject matter.

8.8 Severability. If any portion of this Agreement is determined to be invalid or unenforceable, it shall be modified rather than voided, if possible, in order to carry out the intent of this Agreement. In any event, the remainder of this Agreement shall be valid and enforceable to the fullest extent possible.

8.9 No Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties and is not for the benefit of any third party.

8.10 Costs of Enforcement. If either Party to this Agreement seeks to enforce its rights under this Agreement by formal proceedings or otherwise, the non-prevailing Party shall pay all costs and expenses incurred by the prevailing Party (who shall be the Party which obtains substantially the relief it sought, whether by settlement, compromise or judgment), including, without limitation, all reasonable attorneys' fees and costs.

8.11 Expenses. Each Party shall pay its own expenses incurred in negotiating and drafting this Agreement and the other Transaction Documents and in effecting the Closing.

8.12 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts entered into and to be performed within Delaware by Delaware residents.

* * *

The Parties have signed and delivered this Agreement as of the date that appears in its first paragraph.

LEVI'S ONLY STORES, INC.

By /s/ Edward T. Murphy
Edward T. Murphy,
President

DESIGNS, INC.

By /s/ Joel Reichman
Joel Reichman,
President

Schedules

- 2.1 Store Assets
- 2.2 Excluded Inventory
- 2.3 Calculation of Purchase Price
- 3 Exceptions to LOS' Representations
- 3.2 LOS Consents and Approvals
- 3.3 LOS Litigation and Claims
- 3.4 LOS Brokers and Finders
- 4 Exceptions to Designs' Representations
- 4.2 Designs' Consents, Permits and Approvals
- 4.7 Financial Statements
- 4.8 Employee Information
- 5 List of Employees
- 6.3 Indemnification Rules

ASSET PURCHASE AGREEMENT

between

LEVI'S ONLY STORES, INC.

and

DESIGNS, INC.

(Cambridgeside)

dated as of
January 28, 1995

