SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

Quarter Ended July 29, 2000 Commission File Number 0-15898

DESIGNS, INC.

(Exact name of registrant as specified in its charter)

Delaware	04-2623104
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

66 B Street, Needham, MA	02494
(Address of principal executive offices)	(Zip Code)

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

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

Yes X No

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

Class	Outstanding as of July 29, 2000
Common	16,336,555

DESIGNS, INC.
CONSOLIDATED BALANCE SHEETS
July 29, 2000, July 31, 1999 and January 29, 2000
(In thousands,except share data)

ASSETS	July 29, 2000 (unaudited)	July 31, 1999 (unaudited)	January 29, 2000
Current assets:			
Cash and cash equivalents	$ -	$ 1,868	$ -
Restricted investment	-	2,300	2,365
Accounts receivable	40	273	83
Inventories	66,859	61,198	57,022

Income taxes refundable and deferred	1,920	272	1,920
Prepaid expenses	1,169	1,033	1,042
Total current assets	69,988	66,944	62,432
Property and equipment, net of accumulated depreciation and amortization	17,106	17,518	16,737
Other assets:			
Deferred income taxes	14,510	19,307	15,215
Intangible assets, net	-	2,492	-
Other assets	519	3,988	693
Total assets	$ 102,123	$ 110,249	$ 95,077
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 10,999	$ 12,379	$ 6,801
Accrued expenses and other current liabilities	10,110	6,471	8,324
Accrued rent	2,263	2,222	2,253
Reserve for severance and store closings	1,436	2,253	3,228
Notes payable	24,976	24,168	22,202
Total current liabilities	49,784	47,493	42,808
Stockholders' equity:			
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, none issued			
Common Stock, $0.01 par value, 50,000,000 shares authorized, 16,942,000, 16,145,000 and 16,676,000 shares issued at July 29, 2000, July 31, 1999 and January 29, 2000, respectively	169	162	167
Additional paid-in capital	54,882	54,078	54,571
Retained earnings (deficit)	(44)	10,454	(639)
Treasury stock at cost, 604,650 shares at July 29, 2000 and 286,651 shares at July 31, 1999 and January 29, 2000	(2,471)	(1,830)	(1,830)
Loan to executive	(197)	-	-
Deferred compensation	-	(108)	-
Total stockholders' equity	52,339	62,756	52,269
Total liabilities and stockholders' equity	$ 102,123	$ 110,249	$ 95,077

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

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

	Three Months Ended		Six Months Ended	
	July 29, 2000	July 31, 1999	July 29, 2000	July 31, 1999
Sales	$45,693	$42,907	$85,072	$82,742
Cost of goods sold including occupancy	32,272	31,519	60,999	61,137
Gross profit	13,421	11,388	24,073	21,605
Expenses:				
Selling, general and administrative	9,805	10,519	19,550	20,111
Depreciation and amortization	1,325	1,561	2,594	3,287
Total expenses	11,130	12,080	22,144	23,398
Operating income (loss)	2,291	(692)	1,929	(1,793)
Interest expense, net	430	159	845	478
Net income (loss) before income taxes	1,861	(851)	1,084	(2,271)
Provision (benefit) for income taxes	777	(315)	474	(873)
Net income (loss)	$ 1,084	$ (536)	$ 610	$(1,398)
Earnings (loss) per share- basic	$ 0.07	$ (0.03)	$ 0.04	$ (0.09)
Earnings (loss) per share- diluted	$ 0.06	$ (0.03)	$ 0.04	$ (0.09)
Weighted average number of common shares outstanding- basic	16,502	15,891	16,472	15,890
Weighted average number of common shares outstanding- diluted	16,685	15,891	16,560	15,890

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

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

	Six Months Ended	
	July 29, 2000	July 31, 1999
Cash flows from operating activities:		
Net income (loss)	$ 610	$ (1,398)
Adjustments to reconcile to net cash used for operating activities:		
Depreciation and amortization	2,594	3,287
Issuance of common stock to Board of Directors	116	-
Changes in operating assets and liabilities:		
Accounts receivable	43	(95)
Inventories	(9,837)	(3,273)
Prepaid expenses	(127)	(122)
Other assets	71	(3,638)
Reserve for severance and store closings	(1,792)	(2,119)
Income taxes	96	(737)
Accounts payable	4,198	3,661
Accrued expenses and other current liabilities	2,380	37
Accrued rent	10	207
Net cash used for operating activities	(1,638)	(4,190)
Cash flows from investing activities:		
Additions to property and equipment	(2,898)	(2,411)
Proceeds from (establishment of) terminated trust (note 6)	2,365	(2,300)
Proceeds from disposal of property and equipment	38	73
Net cash used for investing activities	(495)	(4,638)
Cash flows from financing activities:		
Net borrowings under credit facility	2,774	10,343
Repurchase of common stock	(641)	-
Issuance of common stock under option program (1)	-	200
Net cash provided by financing activities	2,133	10,543
Net increase in cash and cash equivalents	-	1,715
Cash and cash equivalents:		
Beginning of the year	-	153
End of the period	$ -	$ 1,868

(1) Net of related tax effect.

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

DESIGNS, INC.
Notes to Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended January 29, 2000 (filed on Form 10-K, as amended, with the Securities and Exchange Commission). The information set forth in these statements may be subject to normal year-end adjustments. The information reflects all adjustments that, in the opinion of management, are necessary to present fairly the Company's results of operations, financial position and cash flows for the periods indicated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's business historically has been seasonal in nature and the results of the interim periods presented are not necessarily indicative of the results to be expected for the full year.

2. Charge for Store Closings

During the fourth quarter of fiscal 2000, the Company recorded a pre-tax charge of $15.2 million, or $0.59 per share after tax, related to inventory markdowns, the abandonment of the Company's Boston Traders(R) and related trademarks, severance, and the closure of the Company's five Buffalo Jeans (R) Factory Stores and its five remaining Designs stores. This pre-tax charge of $15.2 million included cash costs of approximately $3.6 million related to lease terminations and corporate and store severance, and approximately $11.6 million of non-cash costs related to inventory markdowns and the impairment of trademarks and store assets. At July 29, 2000, the remaining reserve balance related to this $15.2 million charge was $1.4 million, which primarily related to severance and landlord settlements.

3. Boston Trading Ltd., Inc. Litigation

On May 2, 1995, the Company acquired certain assets of Boston Trading Ltd., Inc. In accordance with the terms of the Asset Purchase Agreement dated April 21, 1995, the Company paid $5.4 million in cash, financed by operations, and delivered a non-negotiable promissory note in the original principal amount of $1 million (the "Purchase Note") payable in two equal annual installments through May 2, 1997. In the first quarter of fiscal 1997, the Company asserted rights of indemnification under the Asset Purchase Agreement. In accordance with that Agreement, the Company, when exercising its indemnification rights, has the right, among other courses of action, to offset against the payment of principal and interest due and payable under the Purchase Note, the value of its indemnification claim. Accordingly, based on these indemnification rights, the Company ultimately did not make either of the $500,000 payments of principal due on the Purchase Note on May 2, 1996 and May 2, 1997. Nevertheless, the Company continued to pay interest on the original principal amount of the Purchase Note through May 2, 1996 and continued to pay interest thereafter through November 2, 1997 on $500,000 of principal. In January 1998, Atlantic Harbor, Inc. (formerly known as "Boston Trading Ltd., Inc.") filed a lawsuit against the Company for refusing to pay the purportedly outstanding principal amount of the Purchase Note. Thereafter, the Company filed claims against Atlantic Harbor, Inc. and its stockholders alleging that the Company was damaged in excess of $1 million because of the breach of certain representations and warranties concerning, among other things, the existence and condition of certain foreign trademark registrations and license agreements. Barring unforeseen circumstances, management of the Company does not believe that the result of this litigation will have a material adverse impact on the Company's business or financial condition.

4. Credit Facility

On June 4, 1998 the Company entered into an Amended and Restated Loan and Security Agreement with BankBoston Retail Finance, Inc. (now known as Fleet Retail Finance, Inc.), as agent for the lenders named therein (as amended the "Credit Agreement"). The Credit Agreement, which terminates on June 4, 2001, consists of a revolving line of credit permitting the Company to borrow up to $50 million. Under this credit facility, the Company has the ability to cause

the lenders to issue documentary and standby letters of credit up to $5 million. The Company's obligations under the Credit Agreement are secured by a lien on all of the Company's assets. The ability of the Company to borrow under the Credit Agreement is subject to a number of conditions including the accuracy of certain representations and compliance with tangible net worth and fixed charge coverage ratio covenants. The availability of the unused revolving line of credit is limited to specified percentages of the value of the Company's eligible inventory determined under the Credit Agreement, ranging from 60% to 65%. At the option of the Company, borrowings under this facility bear interest at FleetBoston, N.A.'s (formerly known as BankBoston, N.A.) prime rate or at LIBOR-based fixed rates. These interest rates at July 29, 2000 were 9.50% for prime and 8.91% for LIBOR. The Credit Agreement contains certain covenants and events of default customary for credit facilities of this nature, including change of control provisions and limitations on payment of dividends by the Company. The Company is subject to a prepayment penalty of $250,000 if the Credit Agreement terminates prior to May 4, 2001.

On July 17, 2000, the Credit Agreement was amended to, among other things, exclude the stock repurchase program, which was approved by the Company's Board of Directors on June 26, 2000, from the Company's financial covenants. In addition, the Credit Agreement was amended to allow for the Company to provide an interest bearing loan to its Chief Executive Officer which has a maturity date which extends beyond the 90 days allowed under the Credit Facility. For further discussion, see Note 7.

At July 29, 2000, the Company had borrowings of approximately $23.9 million outstanding under this facility and had five outstanding standby letters of credit totaling approximately $4.0 million. Average borrowings outstanding under this credit facility for the first six months of fiscal 2001 were approximately $17.3 million. The Company was in compliance with all debt covenants under the Credit Agreement at July 29, 2000.

5. Earnings (Loss) Per Share

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

(In thousands)	For the three months ended July 29, 2000	For the three months ended July 31, 1999	For the six months ended July 29, 2000	For the six months ended July 31, 1999
Basic weighted average common shares outstanding	16,502	15,891	16,472	15,890
Stock options, excluding the effect of anti-dilutive options of 127 shares and 132 shares for the three and six months ended July 29, 1999, respectively	183	--	88	--
Diluted weighted average shares outstanding	16,685	15,891	16,560	15,890

Options to purchase shares of the Company's Common Stock of 247,200 for the three and six months ended July 29, 2000 and 1,758,700 and 1,749,950 for the three and six months July 31, 1999, respectively, were excluded from the computation of diluted EPS because the exercise price of the options was greater than the average market price per share of Common Stock for the periods reported.

6. Restricted Investment

In May 1999, the Company deposited $2.3 million in a trust established for the purpose of securing pre-existing obligations of the Company to certain executives under their respective employment agreements. These funds were being held in a trust to pay the amounts that may become due under their employment agreements and to pay any amounts that may become due to them pursuant to their indemnification agreements and the Company's by-laws. In March 2000, subsequent to the Company's fiscal year-end, the trust was terminated, and accordingly, the funds were no longer restricted. The proceeds from the trust were used to pay-down the outstanding balance on the Company's credit facility with Fleet Boston Retail Finance, Inc.

7. Loan to Executive

On June 26, 2000, the Company extended a loan to David Levin, its President and Chief Executive Officer in the amount of $196,875 in order for Mr. Levin to acquire from the Company 150,000 newly issued shares of the Company's Common Stock at the closing price of the Common Stock on that day. The Company and Mr. Levin entered into a secured promissory note, whereby Mr. Levin agrees to pay to the Company the principal sum of $196,875 plus interest due and payable on June 26, 2003. The promissory note bears interest at a rate of 6.53% per annum and is secured by the 150,000 acquired shares of the Company's Common Stock.

8. Stock Repurchase Program

In June 2000, the Company's Board of Directors authorized the repurchase of up to 10% of the Company's outstanding Common Stock. As of July 29, 2000, the Company had repurchased 318,000 shares at a cost of $606,000. These shares were recorded by the Company as treasury stock and are reflected as a reduction in shareholders' equity.

The Company utilized two brokerage firms in connection with this repurchase program. Sterling Financial Investment Group, Inc. ("Sterling Financial"), one of the firms used, is owned by a family relation of Seymour Holtzman, the Company's Chairman. The Company negotiated a commission of $0.03 per share with each brokerage firm for trades executed as part of the Company's stock repurchase program.

Subsequent to the end of the quarter, the Company announced on September 1, 2000 that it has completed its repurchase program. As of September 1, 2000, the Company had repurchased 863,000 shares at a cost of $1,861,000.

The Company paid Sterling Financial total commissions of $20,940 for trades they executed as part of the Company's stock repurchase program.

Treasury shares also include restricted shares of the Company which were forfeited by associates.

9. Consulting Agreement with Chairman

On October 28, 1999, the Company entered into a consulting agreement with Jewelcor Management, Inc. ("JMI"), a 14.7% stockholder of the Company, to assist in developing and implementing a strategic plan for the Company and for other related consulting services as may be agreed upon between JMI and the Company. As compensation for these services, JMI was given the right to receive a non-qualified stock option to purchase up to 400,000 shares of the Company's Common Stock, exercisable at the closing price on October 28, 1999. Any remaining compensation due would be paid to JMI in cash or stock.

On June 26, 2000, the Board of Directors of the Company extended JMI's consulting agreement for a period of one year, the terms of which have not been finalized. Compensation for services is $20,000 per month, payable in Common Stock as determined by the closing price of the Company's Common Stock on the last day of each fiscal month.

Seymour Holtzman, Chairman of the Board of Directors of the Company, is President and Chief Executive Officer of JMI.

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

Results of Operations

Sales

Sales for the second quarter of fiscal 2001 were $45.7 million as compared to sales of $42.9 million in the second quarter of fiscal 2000. Sales for the six month period of fiscal 2001 were $85.1 million as compared to $82.7 million for the six month period in the prior year. Comparable store sales increased 1 percent for the second quarter of fiscal 2001 as compared with the second quarter of fiscal 2000. Comparable stores are retail locations that have been open at least 13 months. Of the 105 stores that the Company operated at July 29, 2000, 93 were comparable stores.

The increase in total sales of $2.8 million or 6.5% for the three months ended July 29, 2000 as compared to the same period in the prior year is due to sales generated by new stores and a comparable store increase offset by stores closed in fiscal 2000.

Gross Margin

Set forth below is merchandise and gross margin rates and occupancy costs as a percentage of total sales for the three and six months ended July 29, 2000 and July 31, 1999.

	Gross Margin Rate July 29, 2000	Gross Margin Rate July 31, 1999	Percentage Change at July 29, 2000
For the three months ended:			
Merchandise Margin	42.6%	41.1%	1.5%
Occupancy Costs	(13.2%)	(14.6%)	1.4%
Gross Margin	29.4%	26.5%	2.9%
For the six months ended:			
Merchandise Margin	42.3%	41.2%	1.1%
Occupancy Costs	(14.0%)	(15.1%)	1.1%
Gross Margin	28.3%	26.1%	2.2%

The 2.9 percentage point increase in gross margin for the three months ended July 29, 2000 compared to the same period in the prior year is due to a 1.4 percentage point improvement in occupancy as a percent of sales and a 1.5 percentage point increase in merchandise margins. Similarly, the 2.2 percentage point increase in gross margin for the six months ended July 29, 2000 compared to the same period in the prior year is due to the positive leveraging of occupancy of 1.1 percentage points and an increase in merchandise margins of 1.1 percentage points. Merchandise margin was positively impacted by merchandise mix and higher initial margins on selected merchandise.

Selling, General and Administrative Expenses

Set forth below is certain information concerning the Company's selling, general and administrative expenses for the three and six months ended July 29, 2000 and July 31, 1999.

(In thousands, except percentage data)	July 29, 2000 $	July 29, 2000 % of sales	July 31, 1999 $	July 31, 1999 % of sales
For the three months ended	$ 9,805	21.5%	$ 10,519	24.5%
For the six months ended	19,550	22.9%	20,111	24.3%

The decreases in selling, general and administrative expenses for the three and six months ended July 29, 2000 as compared with the prior year is due primarily to continued cost reduction efforts. Store payroll expense, the largest component of selling, general and administrative expenses, was 11.5 percent of sales, compared with 11.9 percent of sales in the prior year.

Depreciation and Amortization

Set forth below is depreciation and amortization expenses for the Company for

the three and six months ended July 29, 2000 and July 31, 1999.

(In thousands, except percentage data)	July 29, 2000	July 31, 1999	Percentage Change at July 29,2000
For the three months ended	$1,325	$1,561	(15.1%)
For the six months ended`	2,594	3,287	(21.1%)

The decrease in depreciation and amortization expenses for the three and six months ended July 29, 2000 compared to the same periods in the prior year is due to the write-off of fixed assets in fiscal 2000 as part of the Company's store closing program. This decrease is offset slightly by additional depreciation for new and remodeled stores.

Interest Expense, Net

Net interest expense was $430,000 and $159,000 for the three months ended July 29, 2000 and July 29, 1999, respectively. Net interest expense was $845,000 and $478,000 for the six months ended July 29, 2000 and July 31, 1999, respectively. These increases were attributable to higher average borrowing levels and higher interest rates under the Company's revolving credit facility for the three and six months ended July 29, 2000 as compared to the same periods in the prior year. The Company anticipates, barring unforeseen circumstances, that interest expense for the remainder of fiscal 2001 will be greater than the prior year due to the anticipated additional borrowings under the Company's revolving credit facility. These additional borrowings primarily will fund payments necessary for capital expenditures related to new store openings and a warehouse facility, merchandise purchases for the Levi's(R) and Dockers(R) Outlets by Designs stores and lease terminations in connection with store closings that occurred in the fourth quarter of fiscal 2000.

Net Income (Loss)

Set forth below is the net income (loss) and earnings per share, presented on a diluted basis, for the Company for the three and six months ended July 29, 2000 and July 31, 1999.

(In thousands, except per share data)	July 29, 2000 $	per share	July 31, 1999 $	per share
For the three months ended	$ 1,084	$0.06	$ (536)	($0.03)
For the six months ended	$ 610	$0.04	$(1,398)	($0.09)

STORE CLOSING PROGRAMS

During the fourth quarter of fiscal 2000, the Company recorded a pre-tax charge of $15.2 million, or $0.59 per share after tax, related to inventory markdowns, the abandonment of the Company's Boston Traders(R) and related trademarks, severance, and the closure of the Company's five Buffalo Jeans (R) Factory Stores and its five remaining Designs stores. This pre-tax charge of $15.2 million included cash costs of approximately $3.6 million related to lease terminations and corporate and store severance, and approximately $11.6 million of non-cash costs related to inventory markdowns and the impairment of trademarks and store assets. At April 29, 2000, the remaining reserve balance related to this $15.2 million charge was $1.4 million, which primarily related to severance and landlord settlements.

Seasonality

Historically, the Company has experienced seasonal fluctuations in revenues and income, exclusive of non-recurring charges, with increases occurring during the Company's third and fourth quarters as a result of "Fall" and "Holiday" seasons. In recent years, the Company's focus has shifted towards its outlet store business and the percentage of mall-based business has been eliminated. Accordingly, the Company's third and fourth quarters, although continuing to generate a greater proportion of total sales, have become less significant to total sales as had previously been the case. This change is due to the seasonality of the Company's outlet business as compared with the seasonality of the mall-based specialty stores.

Liquidity and Capital Resources

The Company's primary cash needs have been for operating expenses, including cash outlays associated with inventory purchases, capital expenditures for new and remodeled stores, severance and lease terminations. During fiscal 2001, the Company expects to incur capital expenditures related to building new outlet stores and outlet store relocations and system enhancements of $5.6 million. The Company expects that cash flow from operations, short-term revolving borrowings and trade credit will enable it to finance its current working capital, store remodeling and opening requirements.

Working Capital and Cash Flows

To date, the Company has financed its working capital requirements, store opening and store closing programs and remodeling programs with cash flow from operations, and borrowings under the Company's credit facility. Cash used for operations for the first six months of fiscal 2001 was $1.6 million as compared to cash used for operations of $4.2 million for the same period in the prior year. This $2.6 million change is primarily due to the timing of cash payments for merchandise and various other monthly expenses.

There was no cash and investment position at July 29, 2000. Total unrestricted cash and investment position at July 31, 1999 was $1.9 million. At July 29, 2000, the Company had borrowings of $23.9 million outstanding under its revolving credit facility as compared to $23.2 million of outstanding borrowings at July 31, 1999 and $21.2 million at January 29, 2000. This increase in the Company's net borrowing position from January 29, 2000 is primarily due to increases in the Company's inventory position as it heads into its peak selling season and borrowings to fund capital expenditures for new and remodeled stores.

The Company's working capital at July 29, 2000 was approximately $20.2 million, compared to $19.5 million at July 31, 1999. This increase in working capital was primarily attributable to the positive operating results of the Company during the first six months of fiscal 2001.

At July 29, 2000, total inventory equaled $66.9 million, compared to $61.2

million at July 31, 1999. The increase of 9.3 percent in the Company's inventory level was primarily due to timing of receipts in preparation for the fall selling season. The Company continues to evaluate and, within the discretion of management, act upon opportunities to purchase substantial quantities of Levi's(R) and Dockers(R) brand products for its Levi's(R) and Dockers(R) Outlet by Designs stores.

The Company stocks its Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores with manufacturing overruns, merchandise specifically manufactured for the outlet stores and discontinued lines and irregulars purchased directly from Levi Strauss & Co. By its nature, this merchandise, including the most popular Levi Strauss & Co. styles of merchandise and the breadth of the mix of this merchandise, is subject to limited availability. The Company may act upon opportunities to purchase substantial quantities of Levi's(R) brand products for its Levi's(R) and Dockers(R) outlet stores.

At July 29, 2000, the accounts payable balance was $10.9 million as compared with a balance of $12.4 million at July 31, 1999. The Company's trade payables to Levi Strauss & Co., its principal vendor, generally are due 30 days after the date of invoice. The Company expects, barring unforeseen circumstances, that any purchases of merchandise from vendors other than Levi Strauss & Co. will be limited and will be in accordance with customary industry credit terms.

On June 4, 1998 the Company entered into an Amended and Restated Loan and Security Agreement with BankBoston Retail Finance, Inc. (now known as Fleet Retail Finance, Inc.), as agent for the lenders named therein (as amended the "Credit Agreement"). The Credit Agreement, which terminates on June 4, 2001, consists of a revolving line of credit permitting the Company to borrow up to $50 million. Under this credit facility, the Company has the ability to cause the lenders to issue documentary and standby letters of credit up to $5 million. The Company's obligations under the Credit Agreement are secured by a lien on all of the Company's assets. The ability of the Company to borrow under the Credit Agreement is subject to a number of conditions including the accuracy of certain representations and compliance with tangible net worth and fixed charge coverage ratio covenants. The availability of the unused revolving line of credit is limited to specified percentages of the value of the Company's eligible inventory determined under the Credit Agreement, ranging from 60% to 65%. At the option of the Company, borrowings under this facility bear interest at FleetBoston, N.A.'s (formerly known as BankBoston, N.A.) prime rate or at LIBOR-based fixed rates. These interest rates at July 29, 2000 were 9.50% for prime and 8.91% for LIBOR. The Credit Agreement contains certain covenants and events of default customary for credit facilities of this nature, including change of control provisions and limitations on payment of dividends by the Company. The Company is subject to a prepayment penalty of $250,000 if the Credit Agreement terminates prior to May 4, 2001.

On July 17, 2000, the Credit Agreement was amended to, among other things, exclude the stock repurchase program, which was approved by the Company's Board of Directors on June 26, 2000, from the Company's financial covenants. In addition, the Credit Agreement was amended to allow for the Company to provide an interest bearing loan to its Chief Executive Officer which has a maturity date which extends beyond the 90 days allowed under the Credit Facility. For further discussion, see Note 7.

At July 29, 2000, the Company had borrowings of approximately $23.9 million outstanding under this facility and had five outstanding standby letters of credit totaling approximately $4.0 million. Average borrowings outstanding under this credit facility for the first quarter of fiscal 2001 were approximately $17.3 million.

In June 2000, the Company's Board of Directors authorized the repurchase of up to 10% of the Company's outstanding Common Stock. As of July 29, 2000, the Company had repurchased 318,000 shares at a cost of $606,000. These shares were recorded by the Company as treasury stock and are reflected as a reduction in shareholders' equity.

Subsequent to the end of the quarter, the Company announced on September 1, 2000 that it has completed its repurchase program. As of September 1, 2000, the Company had repurchased 863,000 shares at a cost of $1,861,000.

Capital Expenditures

Total cash outlays for capital expenditures for the first six months of fiscal 2001 were $2.9 million, which represents the cost of new and remodeled stores. Total cash outlays for the first six months of fiscal 2000 were $2.4 million. During the first six months of fiscal 2001, the Company opened four new Levi's(R)/Dockers(R) Outlet by Designs stores and remodeled six of its older outlets.

The Company's present plans for expansion for the remainder of fiscal 2001, barring unforeseen circumstances, include remodeling an additional five

Levi's(R) Outlet stores and opening one additional Levi's(R)/Dockers(R) Outlet by Designs stores.

On October 31, 1998 the Company and Levi Strauss & Co. amended the trademark license agreement (as amended, the "Outlet License Agreement") that authorizes the Company to use certain Levi Strauss & Co. trademarks in connection with the operation of the Company's Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores in 25 states in the eastern portion of the United States. Section 19 of this agreement was subsequently amended on March 22, 2000 to change certain of the Change in Control provisions. Subject to certain default provisions, the term of the Outlet License Agreement was extended to September 30, 2004, and the license for any particular store is the period co-terminous with the lease term for such store (including extension options). Beginning with the amendment to the Outlet License Agreement effective on October 31, 1998, the Outlet License Agreement provides that the Company has the opportunity to extend the term of the license associated with one or more of the Company's older Levi's(R) Outlet by Designs stores by either renovating the store or replacing the store with a new store with an updated format and fixturing. In order to extend the license associated with each of the Company's 59 older outlet stores, the Company must, subject to certain grace periods, complete these renovations or the construction of replacement stores by December 31, 2004.

The Company, with the approval of Levi Strauss & Co., initiated a program to remodel or replace its 59 oldest Levi's(R) Outlet by Designs stores over a five year period, beginning in fiscal 1999. As of July 29, 2000, the Company had closed two of its older 59 Levi's(R) Outlet stores, remodeled 11 of the older Levi's Outlet stores and opened 13 new Levi's(R)/Dockers(R) Outlet by Designs stores and two Dockers(R) Outlet stores.

The foregoing discussion of the Company's results of operations, liquidity, capital resources and capital expenditures includes certain forward-looking information. Such forward-looking information requires management to make certain estimates and assumptions regarding the Company's expected strategic direction and the related effect of such plans on the financial results of the Company. Accordingly, actual results and the Company's implementation of its plans and operations may differ materially from forward-looking statements made by the Company. The Company encourages readers of this information to refer to Exhibit 99 of the Company's Annual Report on Form 10-K, previously filed with the United States Securities and Exchange Commission on April 28, 2000, which identifies certain risks and uncertainties that may have an impact on future earnings and the direction of the Company.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, the financial position and results of operations of the Company are routinely subject to a variety of risks, including market risk associated with interest rate movements on borrowings. The Company regularly assesses these risks and has established policies and business practices to protect against the adverse effect of these and other potential exposures.

The Company utilizes cash from operations and short-term borrowings to fund its working capital needs. This debt instrument is viewed as risk management tools and is not used for trading or speculative purposes. In addition, the Company has available letters of credit as sources of financing for its working capital requirements. Borrowings under this credit agreement, which expires in June 2001, bears interest at variable rates based on FleetBoston, N.A.'s prime rate or the London Interbank Offering Rate ("LIBOR"). These interest rates at July 29, 2000 were 9.5% for prime and 8.91% for LIBOR. Based upon sensitivity analysis as of July 29, 2000, a 10% increase in interest rates would result in a potential loss to future earnings of approximately $164,000 on an annualized basis. .

Part II. Other Information

ITEM 1. Legal Proceedings

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

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

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Default Upon Senior Securities

None.

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

(a) The Company held its Annual Meeting of the Stockholders on June 26, 2000. The matters submitted to a vote of the Company's stockholders were (i) the election of ten directors and (ii) the approval of an amendment to the Company's 1992 Stock Incentive Plan.

(b) The Company's stockholders elected ten directors to hold office until the 2001 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified. The results of the voting were as follows:

	For	Withheld	Non-Votes
Seymour Holtzman	14,182,653	847,299	-
David A. Levin	14,193,178	836,774	-
Stanley I. Berger	13,778,511	1,251,441	-
Jesse Choper	14,193,178	836,774	-
Alan Cohen	14,193,178	836,774	-
Jeremiah P. Murphy, Jr.	14,193,178	836,774	-
Robert L. Patron	14,192,978	836,974	-
Joseph Pennacchio	14,193,178	836,774	-
George T. Porter, Jr.	14,192,978	836,974	-
John J. Schultz	14,192,978	836,974	-

(c) The Company's stockholders also approved an amendment to the Company's 1992 Stock Incentive Plan to increase the number of shares available for issuance thereunder and to extend the termination date of the Plan until April 2, 2007.

The results of the voting were as follows:

For:	4,405,048
Against:	3,286,462
Abstain:	1,236
Non-Votes:	7,337,206

ITEM 6. Exhibits and Reports on Form 8-K

A. Reports on Form 8-K:

The Company reported under Item 5 of Form 8-K, dated May 26, 2000, that the Company announced on May 5, 2000 that Alan Cohen was appointed a Director of the Company's Board of Directors, increasing the board to ten members.

B. Exhibits:

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

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

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

3.4 By-Laws of the Company, as amended (included as Exhibit 3.4 to the Company's Amendment No. 1 to Annual Report on Form 10-K/A dated May 28, 1999, and incorporated herein by reference). *

10.1 1987 Incentive Stock Option Plan, as amended (included as Exhibit 10.1 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference). *

10.2 1987 Non-Qualified Stock Option Plan, as amended (included as Exhibit 10.2 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference). *

10.3 1992 Stock Incentive Plan, as amended (included as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q dated June 16, 1998, and incorporated herein by reference). *

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

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

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

10.7 Amended and Restated Loan and Security Agreement dated as of June 4, 1998, between the Company and BankBoston Retail Finance Inc., as agent for the Lender(s) identified therein ("BBRF") and the Lender(s) (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 11, 1998, and incorporated herein by reference). *

10.8 Fee letter dated as of June 4, 1998, between the Company and BBRF (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 11, 1998, and incorporated herein by reference). *

10.9 First Amendment to Loan and Security Agreement dated as of September 29, 1998 among the Company, BBRF and the Lender(s) identified therein (included as Exhibit 10.5 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference). *

10.10 Second Amendment to Loan and Security Agreement dated as of October 31, 1998 among the Company, BBRF and the Lender(s) identified therein

(included as Exhibit 10.6 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference). *

10.11 Third Amendment to Loan and Security Agreement dated as of October 28, 1999 among the Company, BBRF and the Lender(s) identified therein (included as Exhibit 10.9 to the Company's Form 10-Q dated December 14, 1999, and incorporated herein by reference). *

10.12 Fourth Amendment to Loan and Security Agreement dated as of March 20, 2000 among the Company, Fleet Retail Finance (f/k/a BankBoston Retail Finance) and the Lender(s) identified therein (included as Exhibit 10.13 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.13 Fifth Amendment to Loan and Security Agreement dated as of July 17, 2000 among the Company, Fleet Retail Finance and the Lender(s) identified therein.

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

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

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

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

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

10.19 Asset Purchase Agreement dated as of September 30, 1998 between the Company and LOS relating to the purchase by the Company of 16 Dockers (R)Outlet and nine Levi's(R)Outlet stores (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 6, 1995, and incorporated herein by reference). *

10.20 Consulting Agreement dated as of October 28, 1999 between the Company and Jewelcor Management, Inc. (included as Exhibit 10.20 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

10.21 Consulting Agreement dated as of October 29, 1999 between the Company and John J. Schultz (included as Exhibit 10.21 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

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

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

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

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

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

herein by reference). *

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

10.28 Secured Promissory Note dated as of June 26, 2000 between the Company and David A. Levin.

10.29 Pledge and Security Agreement dated June 26, 2000 between the Company and David A. Levin.

10.30 Employment Agreement dated as of August 14, 2000 between the Company and Dennis Hernreich.

10.31 Severance Agreement dated as of January 12, 2000 between the Company and Joel H. Reichman (included as Exhibit 10.23 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *

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

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

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

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

10.36 Indemnification Agreement between the Company and Peter L. Thigpen, dated December 10, 1998 (included as Exhibit 10.32 to the Company's Annual Report on Form 10-K dated April 30, 1999 and incorporated herein by reference). *

10.37 Indemnification Agreement between the Company and Melvin I. Shapiro, dated December 10, 1998 (included as Exhibit 10.33 to the Company's Annual Report on Form 10-K dated April 30, 1999 and incorporated herein by reference). *

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

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

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

11 Statement re: computation of per share earnings.

27 Financial Data Schedule.

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

* Previously filed with the Securities and Exchange Commission.

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

DESIGNS, INC.

September 12, 2000

By: /S/ DAVID A. LEVIN

David A. Levin, President, Chief Executive Officer and Director

FIFTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This Fifth Amendment to Amended and Restated Loan and Security Agreement (the "Fifth Amendment") is made as of the 17th day of July, 2000 by and between

Fleet Retail Finance Inc. f/k/a BankBoston Retail Finance Inc. (in such capacity, the "Agent"), as Agent for the Lenders party to a certain Amended and Restated Loan and Security Agreement dated as of June 4, 1998, as amended and in effect,

the Lenders party thereto, and

Designs, Inc. (the "Borrower"), a Delaware corporation with its principal executive offices at 66 B Street, Needham, Massachusetts 02194

in consideration of the mutual covenants herein contained and benefits to be derived herefrom.

W I T N E S S E T H:

WHEREAS, on June 4, 1998, the Agent, the Lenders and the Borrower entered in a certain Amended and Restated Loan and Security Agreement (as amended and in effect, the "Agreement"); and

WHEREAS, the Agent, the Lenders and the Borrower desire to modify certain of the provisions of the Agreement as set forth herein.

NOW, THEREFORE, it is hereby agreed among the Agent, the Lenders and the Borrowers as follows:

1. CAPITALIZED TERMS. All capitalized terms used herein and not otherwise defined shall have the same meaning herein as in the Agreement.

2. AMENDMENT TO ARTICLE 1. The provisions of Article 1 of the Agreement are hereby amended as follows:

   (a) by adding the following new definition:

   "June 2000 Resolution": Means the June 26, 2000 resolution of the Board of Directors of the Borrower pursuant to which, among other things, the Board of Directors authorized the Borrower to pay an amount not to exceed $2,500,000.00 in the aggregate to repurchase certain shares of the Borrower=s capital stock.

   (b) by deleting the following text from clause (b) of the definition of "Fixed Charge Coverage Ratio":

   , plus cash payments made in connection with the redemption, retirement, purchase or acquisition of any of the Borrower's capital stock,

   and substituting the following in its stead:

   , plus cash payments made in connection with the redemption, retirement, purchase or acquisition of any of the Borrower's capital stock (except that there shall be excluded from the calculation of Fixed Charge Coverage Ratio any cash payments made by the Borrower at any time after the date of that certain Fifth Amendment to Loan and Security Agreement dated as of July 17, 2000 to repurchase shares of its capital stock as contemplated by, and to the extent permitted by, the June 2000 Resolution),

3. LOAN TO LEVIN. The Borrower has advised the Lenders that the Borrower has made a loan to one of its officers, David Levin, in the amount of $196,875.00 (the "Levin Loan"). The terms and conditions of the Levin Loan, provide for, among other things, that the Levin Loan shall mature on a date which exceeds ninety (90) days from the date such loan was made by the Borrower. The foregoing provision will result in the violation of Section 4-20(c) of the Agreement and the occurrence of an Event of Default. Notwithstanding the foregoing, the Agent and the Lenders have agreed to waive the Event of Default which would arise as a result of the breach of Section 4-20(c) on account of the making of the Levin Loan. The within

waiver of the Event of Default described herein is a one-time waiver and shall not be deemed to constitute a waiver of the provisions of Section 4-20(c) of the Agreement on any future or occasion or with respect to any other defaults arising under the Agreement.

4. RATIFICATION OF LOAN DOCUMENTS. Except as provided herein, all terms and conditions of the Agreement on the other Loan Documents remain in full force and effect. The Borrower hereby ratifies, confirms, and reaffirms all representations, warranties, and covenants contained therein and acknowledges and agrees that the Liabilities, as modified hereby are and continue to be secured by the Collateral pledged to the Lender by the Borrower. The Borrower acknowledges and agrees that Collateral includes all amounts due and owing to the Borrower pursuant to the Levin Loan.

5. MISCELLANEOUS

(a) This Fifth Amendment may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.

(b) This Fifth Amendment expresses the entire understanding of the parties with respect to the transactions contemplated hereby. No prior negotiations or discussions shall limit, modify, or otherwise affect the provisions hereof.

(c) Any determination that any provision of this Fifth Amendment or any application hereof is invalid, illegal or unenforceable in any respect and in any instance shall not affect the validity, legality, or enforceability of such provision in any other instance, or the validity, legality or enforceability of any other provisions of this Fifth Amendment.

(d) The Borrower shall pay on demand all costs and expenses of the Agent and each Lender, including, without limitation, reasonable attorneys' fees in connection with the preparation, negotiation, execution and delivery of this Fifth Amendment.

(e) The Borrower warrants and represents that the Borrower has consulted with independent legal counsel of the Borrower's selection in connection with this Fifth Amendment and is not relying on any representations or warranties of the Agent or any Lender or their respective counsel in entering into this Fifth Amendment.

IN WITNESS WHEREOF, the parties have hereunto caused this Fifth Amendment to be executed and their seals to be hereto affixed as of the date first above written.

AGENT

FLEET RETAIL FINANCE INC.

By: /S/ DM MURRARY

Name: D.M. MURRAY

Title: Mg. Dir

LENDERS

FLEET RETAIL FINANCE INC.

By: /S/ DM MURRARY

Name: D.M. MURRAY

Title: Mg. Dir

WELLS FARGO BUSINESS CREDIT, INC.

By: /S/ SCOTT FIORE

Name: SCOTT FIORE

Title: Vice President

BORROWER

DESIGNS, INC.

By: /S/ DAVID A. LEVIN

Name: DAVID A. LEVIN

Title: President, Chief Executive Officer

580424.3

SECURED PROMISSORY NOTE

$196,875.00 New York, New York
June 26, 2000

FOR VALUE RECEIVED, the undersigned, DAVID A. LEVIN (the "Obligor"), hereby unconditionally promises to pay to the order of DESIGNS, INC., a Delaware corporation (together with any such subsequent Holder of this Note, the "Holder"), the principal sum of one hundred ninety-six thousand eight hundred and seventy-five dollars ($196,875.00), together with simple, uncompounded interest thereon from the date hereof on the principal amount from time to time outstanding at the rate of six and fifty-three one-hundredths percent (6.53%) per annum until the Maturity Date (as hereinafter defined) and thereafter at the rate of six and fifty-three one-hundredths percent (6.53%) per annum. Interest shall be calculated from (and including) the date hereof to (but not including) the date of payment. This Note and all accrued but unpaid interest thereon shall be due and payable on June 26, 2003 (the "Maturity Date") or such earlier date as required herein.

Pursuant to the Security and Pledge Agreement (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Pledge Agreement") of even date herewith between the Obligor and the Holder, the Obligor has pledged 150,000 shares (the "Shares") of common stock of the Holder (including any other security into which such shares shall be converted or for which such shares shall be exchanged in any recapitalization, reorganization, merger, consolidation, share exchange or similar business combination transaction, the "Collateral") as collateral to the Holder to secure his prompt and full performance of his obligations hereunder and under the Pledge Agreement. Any unpaid amounts due and payable under the Pledge Agreement shall constitute principal amounts due under this Note. To the extent that the Collateral (or the proceeds thereof) maybe insufficient to satisfy all of the Obligor's obligations under this Note and the Pledge Agreement, the Obligor shall remain personally liable for any such deficiency.

The Obligor and the Holder intend that the obligations evidenced by this Note conform strictly to the applicable usury laws from time to time in force. If under any circumstances whatsoever fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve exceeding the highest lawful rate of interest prescribed by law, then, ipso facto, the interest due hereunder shall be reduced to such rate; and if under any circumstances the Holder ever shall receive from or on behalf of the Obligor an amount deemed interest, by applicable law, which would exceed the highest lawful rate, such amount that would be excessive interest under applicable usury laws shall be applied to the reduction of the principal owing hereunder or of any other amounts owing hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal, the excess shall be deemed to have been a payment made by mistake and shall be refunded to the Obligor or to any other person making such payment on the Obligor's behalf.

1. PAYMENT PROVISIONS. On the Maturity Date, the entire outstanding principal amount of this Note, together with all accrued but unpaid interest hereon, shall automatically become immediately due and payable without protest, presentment, demand or notice (except the notices referred to herein), all of which are expressly waived by the Obligor. All payments under this Note shall be applied first to costs of collection, second to accrued but unpaid interest and last to the payment of principal.

Principal, interest and all other amounts due hereunder shall be payable in lawful money of the United States of America in immediately available funds or by check. The principal and interest on this Note shall be paid without setoff or counterclaim and free and clear of and exempt from, and without deduction for or on account of, any present or future taxes, imposts, duties, deduction, withholdings or other charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government or any political subdivision or taxing authority thereof. Whenever any payment hereunder shall be due on a day other than a Business Day (as defined below), such payment shall be made on the next succeeding Business Day. For purposes of this Note, a "Business Day" shall mean any day on which commercial banks are not authorized or required to be closed in Boston, Massachusetts.

2. PREPAYMENT. The Obligor may, at any time and from time to time, prepay the then unpaid principal balance of this Note in whole or in part without penalty or premium, but with interest calculated as aforesaid to the date of such prepayment.

3. EVENTS OF DEFAULT. If any events specified in this Section 3 shall occur and continue uncured for a period of thirty (30) days following

notice from the Holder that such event has occurred (herein individually referred to as an "Event of Default"), the Holder may declare the entire outstanding principal amount of this Note, together with all accrued but unpaid interest hereon and all other amounts payable hereunder and under the Pledge Agreement, immediately due and payable, by notice in writing to Obligor:

3.1. Default in the payment of the principal of and unpaid accrued interest on the Note when due and payable; or

3.2. Any material breach by the Obligor of any of his covenants under the Pledge Agreement; or

3.3. (A) the Obligor shall commence any case, proceeding or other action (x) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to the Obligor, or seeking to adjudicate him a bankrupt or insolvent, or seeking arrangement, adjustment, liquidation, or other relief with respect to the Obligor or his debts or (y) seeking appointment of a receiver, trustee, custodian or other similar official for the Obligor or for all or any substantial part of his assets, or the Obligor shall make a general assignment for the benefit of his creditors; or (B) there shall be commenced against the Obligor any case, proceeding or other action of a nature referred to in clause (A) above which (x) results in the entry of an order for such relief or appointment or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (C) there shall be commenced against the Obligor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of his assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (D) the Obligor shall take any action in furtherance of, or indicating his consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B), or (C) above; or (E) the Obligor shall generally fail to pay or admits in writing his inability to pay his debts as they become due.

4. GOVERNING LAW AND ADJUDICATION; RELATED MATTERS. This Note shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts applicable to contracts made and to be wholly performed within such State, without reference to principles of conflicts of laws. The Obligor hereby irrevocably consents that any suit, action or proceeding against him or any of his assets or properties arising out of or in any way connected with this Note or the Pledge Agreement may be instituted in any Massachusetts, New York State or United States federal court located in the City of Boston or the Borough of Manhattan in New York City, and by execution and delivery of this Note, the Obligor hereby irrevocably submits to the jurisdiction of the aforesaid courts in any such suit, action or proceeding. The Obligor hereby irrevocably waives any objection which he may have at any time to the laying of venue of any such suit, action or proceeding brought in any such court, waives any claim that any such suit, action or proceeding has been brought in an inconvenient forum and further waives the right to object with respect to any such suit, action or proceeding that such court does not have any jurisdiction over him. The Obligor irrevocably consents to the service of process out of any of the above-mentioned courts in any such suit, action or proceeding by the delivery of copies thereof in any manner prescribed in Section 5.4 hereof.

5. MISCELLANEOUS.

5.1. WAIVERS. The Obligor hereby waives diligence, presentment, demand, protest and notice (except as herein noted) of any kind in the enforcement of the Note.

5.2. COSTS AND EXPENSES. The Obligor agrees to pay on demand all of the Holder's costs and expenses, including, without limitation, reasonable attorneys' fees, in connection with the collection of any sums due to the Holder and the enforcement, protection or perfection of its rights or interests hereunder or under the Pledge Agreement.

5.3. ASSIGNMENTS. The Obligor may not assign or otherwise transfer any of his rights or delegate any of his obligations under the Note or the Pledge Agreement without the express prior written consent of the Holder. The Holder may assign or otherwise transfer the Note and any or all of its rights, interests or remedies hereunder, and may delegate any or all of its obligations hereunder, to any person or entity, upon written notice to the Obligor.

5.4. NOTICES. All notices and other communications given or made pursuant to the Note shall be in writing and shall be deemed to have been duly given or made if (i) sent by registered or certified mail, return receipt requested, postage prepaid, (ii) hand delivered, or (iii) sent by prepaid overnight carrier, with a record of receipt, to the parties at the following

addresses (or at such other addresses as shall be specified by the parties by like notice):

(A) If to the Holder:

Designs, Inc.
66 B Street
Needham, Massachusetts 02494
Attn: Secretary

with a copy (which shall not constitute notice) to:

Kramer Levin Naftalis & Frankel LLP
919 Third Avenue
New York, New York 10022
Attn: Peter G. Smith, Esq.

(B) If to the Obligor:

David A. Levin
150 Monadnock Road
Chestnut Hill, MA 02467

Each notice or communication shall be deemed to have been given on the date received.

IN WITNESS WHEREOF, the Obligor has duly executed and delivered this Note as of the date and year first written above.

/S/ DAVID A. LEVIN

DAVID A. LEVIN

The undersigned, Ann Levin, wife of David A. Levin, has duly executed and delivered this Note as of the date and year first written above, as co-maker of and additional Obligor under this Note, and shall be liable for all of the obligations of the Obligor under this Note and the Pledge Agreement to the same extent as through named as the Obligor herein, provided that the liability of the undersigned Ann Levin in respect of the Obligor's obligations under this Note and the Pledge Agreement shall be limited to the right, title and interest, if any, of the undersigned in and to the Collateral (and the proceeds and products thereof) and shall be without personal recourse or personal liability for any deficiency if such Collateral (or the proceeds or products thereof) shall be insufficient to satisfy all of such obligations.

/S/ ANN LEVIN

ANN LEVIN

PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT, dated as of June 26, 2000 (as amended, supplemented, amended and restated or otherwise modified from time to time, this "Agreement"), made by and from DAVID A. LEVIN (the "Pledgor") to DESIGNS, INC., a Delaware corporation (the "Secured Party"). Capitalized terms used without definition herein shall have the meanings given to such terms in the Note referred to below.

PRELIMINARY STATEMENTS:

(1) The Pledgor and the Secured Party have executed a Secured Promissory Note, dated as of June 26, 2000 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Note"), in favor of the Secured Party, evidencing the loan made by the Secured Party to the Pledgor (the "Loan").

(2) The Pledgor is the beneficial owner of 150,000 shares of common stock of the Secured Party (such shares, including any other security into which such shares shall be converted or for which such shares shall be exchanged in any recapitalization, reorganization, merger, consolidation, share exchange or similar business combination transaction, the "Pledged Shares").

(3) It is a condition to the making of the Loan by the Secured Party under the Note that the Pledgor shall grant the assignment and security interest and make the pledge and assignment contemplated by this Agreement.

(4) The Pledgor will obtain benefits from the incurrence of the Loans under the Note and, accordingly, the Pledgor desires to execute this Agreement to satisfy the conditions described in the preceding paragraph (3).

NOW, THEREFORE, in consideration of the premises and in order to induce the Secured Party to make the Loans, the Pledgor hereby agrees with the Secured Party as follows:

Section 1. GRANT AND PLEDGE OF SECURITY. The Pledgor hereby assigns, conveys, mortgages, hypothecates, transfers and pledges to the Secured Party and hereby grants to the Secured Party a first lien on, and a continuing security interest in and to, the following, in each case, as to each type of property described below, whether now owned or hereafter owned or acquired, wherever located and whether now or hereafter existing (collectively, the "Pledged Collateral"):

(a) all of the Pledgor's right, title and interest in and to the Pledged Shares, the account and the certificates representing the Pledged Shares, and all dividends, cash, securities, interest, warrants, rights, options, instruments and other property and proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares or other Pledged Collateral (including additions to the Pledged Collateral pursuant to Section 11(b)); and

(b) to the extent not covered by clause (a) above, all of the Pledgor's right, title and interest in and to all Proceeds and products of any and all of the foregoing Pledged Collateral.

As used herein, the term "proceeds" means all "proceeds" as such term is defined in Section 9-306(1) of the Uniform Commercial Code in effect in the Commonwealth of Massachusetts on the date hereof (the "UCC") and, in any event, shall include, without limitation, all dividends, interest or other income from the Pledged Collateral, collections thereon or distributions with respect thereto.

Section 2. SECURITY FOR OBLIGATIONS. This Agreement secures the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities (including, without limitation, the principal of and interest on the Note) of the Pledgor to the Secured Party, whether now existing or hereafter incurred under, arising out of or in connection with the Note and this Agreement and the due performance and compliance by the Pledgor with all of the terms, conditions and agreements contained in the Note and this Agreement (all such principal, interest, obligations and liabilities being herein collectively called the "Secured Obligations").

Section 3. THE PLEDGOR REMAINS LIABLE. Anything herein to the

contrary notwithstanding, (a) the Pledgor shall remain liable under the documents included in the Pledged Collateral to the extent set forth therein to perform all of his duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Secured Party of any of the rights hereunder shall not release the Pledgor from any of his duties or obligations under the documents included in the Pledged Collateral and (c) the Secured Party shall not have any obligation or liability under any of the documents included in the Pledged Collateral by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of the Pledgor hereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4. DELIVERY OF PLEDGED COLLATERAL. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Secured Party pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Secured Party. Upon the occurrence and during the continuance of an Event of Default, the Secured Party shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Secured Party or any of its nominees any or all of the Pledged Collateral. In addition, the Secured Party shall have the right at any time to exchange certificates or instruments representing or evidencing the Pledged Collateral for certificates or instruments of smaller or larger denominations.

Section 5. REPRESENTATIONS, WARRANTIES AND COVENANTS. The Pledgor represents, warrants, agrees and covenants as to himself and the Pledged Collateral, which representations, warranties, agreements and covenants shall survive execution and delivery of this Agreement, as follows:

(a) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any pledge, lien, mortgage, hypothetication, security interest, charge, option or other encumbrance whatsoever or other right, title or interest of any person or entity, except for the security interest created under this Agreement, and the Pledgor shall defend the Pledged Collateral against all claims and demands of all persons or entities at any time claiming the same or any interest therein adverse to the Secured Party. No effective financing statement or other instrument similar in effect covering or purporting to cover all or any part of the Pledged Collateral is on file in any recording office, except such as may have been filed in favor of the Secured Party relating to this Agreement.

(b) The Pledgor is the legal and beneficial owner of, and has good and marketable title to, the Pledged Shares, subject to no pledge, lien, mortgage, hypothetication, security interest, charge, option or other encumbrance whatsoever, except the liens and security interests created by this Agreement. The Pledgor has the legal right to pledge the Pledged Shares pledged by him pursuant to this Agreement.

(c) All filings and other actions necessary or desirable to perfect and protect the security interest in the Pledged Collateral taken as a whole created under this Agreement have been duly made or taken, and this Agreement, the pledge of the Pledged Collateral pursuant hereto, together with such filings and other actions, create a valid and perfected first priority security interest in the Pledged Collateral taken as a whole, securing the payment of the Secured Obligations.

(d) No consent of any other person or entity and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other third party is required (i) for the grant by the Pledgor of the assignment and security interest granted hereunder, for the pledge by the Pledgor of the Pledged Collateral pursuant hereto or for the execution, delivery or performance of this Agreement by the Pledgor, (ii) for the perfection or maintenance of the pledge, assignment and security interest created hereunder (including the first priority nature of such pledge, assignment or security interest), or (iii) for the exercise by the Secured Party of its voting or other rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement.

Section 6. FURTHER ASSURANCES. The Pledgor agrees that from time to time he shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Secured Party may reasonably request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral.

Section 7. VOTING RIGHTS; DIVIDENDS; ETC. (a) So long as no Event of Default shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Note; provided, however, that the Pledgor shall not exercise or refrain from exercising any such right if such action (a) would reasonably be expected to have a material adverse effect on the value of the Pledged Collateral or any part thereof or (b) would violate or be inconsistent with any of the terms of this Agreement or the Note;

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, such Pledged Collateral, and

(B) dividends and other distributions paid or payable in cash in respect of such Pledged Collateral in connection with a partial or total liquidation or dissolution

shall be, and shall be forthwith delivered to the Secured Party to hold as, Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Secured Party, be segregated from the other property or funds of the Pledgor and be forthwith delivered to the Secured Party as Pledged Collateral in the same form as so received (with any necessary endorsement).

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of the Pledgor (x) to exercise or refrain from exercising the voting and other consensual rights that he would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall, upon notice to the Pledgor by the Secured Party, cease and (y) to receive the dividends and interest payments that he would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) shall automatically cease, and all such rights shall thereupon become vested in the Secured Party, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and interest payments.

(ii) All dividends and interest payments that are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 7(b) shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Secured Party as Pledged Collateral in the same form as so received (with any necessary endorsement).

Section 8. TRANSFERS AND OTHER LIENS. The Pledgor agrees not (i) to sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, or (ii) to create or suffer to exist any lien or other encumbrance upon or with respect to any of the Pledged Collateral, except for the pledge, assignment and security interest created under this Agreement.

Section 9. SECURED PARTY APPOINTED ATTORNEY-IN-FACT. The Pledgor hereby irrevocably appoints the Secured Party, effective upon the occurrence and during the continuation of any Event of Default, as the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Secured Party's discretion and upon notice to the Pledgor, to take any action and to execute any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Pledged Collateral,

(b) to receive, endorse and collect any drafts or other instruments, documents and chattel paper, in connection with clause (a) above, and

(c) to file any claims or take any action or institute any

proceedings that the Secured Party may deem necessary or desirable for the collection of any of the Pledged Collateral or otherwise to enforce the rights of the Secured Party with respect to any of the Pledged Collateral.

Section 10. SECURED PARTY MAY PERFORM. If the Pledgor fails to perform any agreement contained herein, the Secured Party may itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Pledgor under Section 12(b).

Section 11. REMEDIES. If any Event of Default shall have occurred and be continuing:

(a) The Secured Party may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC (whether or not the UCC applies to the affected Pledged Collateral) and also may (i) require the Pledgor to, and the Pledgor hereby agrees that he will at his expense and upon request of the Secured Party forthwith, assemble all or part of the Pledged Collateral as directed by the Secured Party and make it available to the Secured Party at a place and time to be designated by the Secured Party and (ii) without notice except as specified below, sell the Pledged Collateral or any part thereof at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) (i) All cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Secured Party pursuant to Section 12) shall be applied to the payment in full of the Secured Obligations. To the extent proceeds remain after the application pursuant to the preceding sentence, and following the termination of this Agreement pursuant to Section 15, to the Pledgor or to whomever may be lawfully entitled to receive such surplus.

(ii) It is understood that the Pledgor shall remain liable to the extent of any deficiency between the amount of the proceeds of the Pledged Collateral and the aggregate amount of the Secured Obligations.

(c) The Secured Party may exercise any and all rights and remedies of the Pledgor in respect of the Pledged Collateral.

Section 12. INDEMNITY AND EXPENSES. (a) The Pledgor agrees to indemnify the Secured Party from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement).

(b) The Pledgor agrees to pay to the Secured Party, upon demand, the amount of any and all reasonable costs and expenses, including, without limitation, the reasonable fees and expenses of counsel, that the Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of the Secured Party hereunder or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

Section 13. SECURITY INTEREST ABSOLUTE. All rights of the Secured Party and the pledge, assignment and security interest hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional, irrespective of (i) any lack of validity or enforceability of the Note; (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Note; (iii) any taking, exchange, release or

nonperfection of any other collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations; or (iv) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Pledgor or a third-party grantor of a security interest.

Section 14. CONTINUING SECURITY INTEREST. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until the payment in full of the Secured Obligations, (b) be binding upon the Pledgor, his successors and assigns and (c) inure to the benefit of the Secured Party and its respective successors, transferees and assigns.

Section 15. TERMINATION. Upon the irrevocable and indefeasible payment in full of the Secured Obligations, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Pledged Collateral shall revert to the Pledgor. Upon any such termination, the Secured Party will, at the Pledgor's expense, execute and deliver to the Pledgor such documents as the Pledgor shall reasonably request to evidence such termination.

Section 16. MISCELLANEOUS. This Agreement may be modified, amended or terminated only by a writing signed by both parties hereto. This Agreement shall be enforced, governed by and construed in accordance with the laws of the Commonwealth of Massachusetts. The Pledgor agrees that any suit for the enforcement of this Agreement may be brought in any Massachusetts, New York State or United States federal court located in the City of Boston or the Borough of Manhattan in New York City and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon the Pledgor by mail at the address specified below. The Pledgor hereby waives any objection he may now have or hereafter have to the venue of any such suit or any such court or that such suit was brought in an inconvenient court. THE PLEDGOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF ANY DISPUTE BETWEEN THE PARTIES WITH RESPECT TO THIS AGREEMENT.

IN WITNESS WHEREOF, the Pledgor has duly executed and delivered this Pledge and Security Agreement as of the date and year first written above.

/S/ DAVID A. LEVIN

DAVID A. LEVIN

Address:
150 Monadnock Road

Chestnut Hill, MA 02467

Agreed and consented to as of
the date first above written:

DESIGNS, INC.

By:
Name:
Title:

The undersigned, Ann Levin, wife of David A. Levin and co-maker of and additional Obligor under the Note, has duly executed and delivered this Pledge and Security Agreement as of the date and year first written above as additional Pledgor under this Pledge and Security Agreement, to the extent of all right, title and interest, if any, of the undersigned in and to the Pledged Shares or other Pledged Collateral and all Proceeds and products thereof, and, without limitation, the undersigned agrees to be bound by all of the agreements and covenants of the Pledgor set forth herein with respect to, and to the extent of, such right, title and interest.

/S/ ANN LEVIN

ANN LEVIN

Address:
150 Monadnock Road

Chestnut Hill, MA 02467

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made as of August 14, 2000, between DESIGNS, INC., a Delaware corporation with an office at 66 B Street, Needham, Massachusetts, 02494 (the "Company"), and Dennis Hernreich (the "Executive").

W I T N E S S E T H:

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

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

1. EMPLOYMENT

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

2. TERM

The term of employment under this Agreement shall begin on September 4, 2000 (the "Employment Date") and shall continue for a period of one (1) year from that date, subject to prior termination in accordance with the terms hereof. Upon the expiration of the Executive's initial one (1) year term of employment, the Company has the option to extend the term of this Agreement for an additional one (1) year, under the terms and conditions set forth herein.

3. COMPENSATION

(a) As compensation for the employment services to be rendered by Executive hereunder, the Company agrees to pay to Executive, and Executive agrees to accept, payable in equal installments in accordance with Company practice, an annual base salary of $225,000.

(b) If the Company does not exercise its option to extend the term of this Agreement for additional one (1) year as provided in Section 2 above, the Company will pay Executive one half of his annual base salary, in equal biweekly payments over a six month period commencing on the expiration of the initial term of employment. This Subsection shall not apply if Executive is terminated pursuant to Section 8 of this Agreement.

(c) In addition to the annual base salary, Executive may receive a discretionary annual bonus of up to forty-five percent (45%) of his annual base salary (the "Discretionary Bonus"), depending on the performance of the Company. The Compensation Committee of the Board of Directors shall determine, in its sole discretion, the amount of any bonus to be paid to Executive. Executive will receive a prepayment of the Discretionary Bonus in the amount $1,250 per month. Any Discretionary Bonus that the Compensation Committee determines shall be paid to Executive shall be reduced by the amount of any prepayments made to Executive.

(d) The Company will pay Executive the total amount of $30,000 for moving costs associated with Executive's relocation to the Boston, Massachusetts metropolitan area. ("Boston"). However, if the Executive resigns his position with the Company during the term of this Agreement, Executive shall reimburse to the Company the $30,000 payment within thirty (30) days after the effective date of his resignation.

(e) The Executive must permanently relocate to Boston on or before April 4, 2001. The Company will reimburse the Executive's reasonable air fare related to his travel (round trip coach air fare with fourteen day advance purchase only) between Boston and Pittsburgh, Pa. (which shall be limited to two (2) trips per month) and provide Executive with temporary living quarters in Boston. The Company's obligation to reimburse Executive for the reasonable air fare and provide temporary living quarters as set forth in this Subsection shall cease upon the earlier of (a) the date the Executive permanently relocates to Boston or (b) April 4, 2001. If Executive resigns his position with the Company during the term of this Agreement, Executive shall reimburse to the Company the costs of any and all air fare and expenses for temporary living quarters paid by the Company within thirty (30) days after the effective date of his resignation.

4. OPTIONS

The Company shall grant to the Executive 60,000 options under the Company's 1992 Stock Incentive Plan, which are exercisable at a purchase price per share equal to the closing price of the Common Stock on September 4, 2000. The options will vest pro rata over a three (3) years period commencing on the Employment Date, with one third of the total vesting and becoming exercisable on each of the first, second and third anniversaries of the Employment Date. In addition, the Executive must execute a standard Stock Option Agreement, which sets the terms and conditions for the Executive's options. The stock options must be exercised by September 4, 2010 or they shall become null and void.

5. EXPENSES

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

6. OTHER BENEFITS

(a) Executive shall be entitled to such vacations and to participate in and receive any other benefits customarily provided by the Company to its senior management (including any profit sharing, pension, 401(k), short and long-term disability insurance, major medical insurance and group life insurance plans in accordance with the terms of such plans), all as determined from time to time by the Compensation Committee of the Board of Directors.

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

7. DUTIES

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

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

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

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

8. TERMINATION OF EMPLOYMENT; EFFECT OF TERMINATION

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

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

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

(b) Executive's employment shall terminate upon:

(i) the death of Executive; or

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

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

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

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

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

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

insurance benefits under the policy provided by the Company pursuant to Section 6 hereof.

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

9. REPRESENTATION AND AGREEMENTS OF EXECUTIVE

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

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

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

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

(e) Executive represents and warrants that he has never been accused of any impropriety in connection with any employment;

(f) Executive represents and warrants that he is currently licensed as a Certified Public Accountant and that no state department of accountancy has every suspended, revoke or terminated his license.

Any breach of any of the above representations and warranties is "justifiable cause" for termination under Section 8 of this Agreement.

10. NON-COMPETITION

(a) Executive agrees that during his employment by the Company and during the one year period following the termination of Executive's employment hereunder (the "Non-Competitive Period"), Executive shall not, directly or indirectly, as owner, partner, joint venturer, stockholder, employee, broker, agent, principal, trustee, corporate officer, director, licensor, or in any capacity whatsoever, engage in, become financially interested in, be employed by, render any consultation or business advice with respect to, or have any connection with, any business which is competitive with products or services of the Company or any of its subsidiaries and affiliates, in any geographic area in the United States of America and Puerto Rico where, at the time of the termination of his employment hereunder, the business of the Company or any of its subsidiaries and affiliates was being conducted or was proposed to be conducted in any manner whatsoever; provided, however, that Executive may own any securities of any corporation which is engaged in such business and is publicly owned and traded but in an amount not to exceed at any one time one percent (1%) of any class of stock or securities of such corporation. In addition, Executive shall not, during the Non-Competitive Period, directly or indirectly, request or cause any suppliers or customers with whom the Company or any of its subsidiaries and affiliates has a business relationship to cancel or terminate any such business relationship with the Company or any of its subsidiaries and affiliates or solicit, hire, interfere with or entice from the Company any employee (or former employee) of the Company.

(b) If any portion of the restrictions set forth in this Section 10 should, for any reason whatsoever, be declared invalid by a court of competent jurisdiction, the validity or enforceability of the remainder of such restrictions shall not thereby be adversely affected.

(c) Executive acknowledges that the Company conducts business throughout the Eastern portion of United States (all states east of the Mississippi River and Missouri) and Puerto Rico, that its sales and marketing prospects are for continued expansion throughout the United States and therefore, the territorial and time limitations set forth in this Section 10 are reasonable and properly required for the adequate protection of the business of

the Company and its subsidiaries and affiliates. In the event any such territorial or time limitation is deemed to be unreasonable by a court of competent jurisdiction, Executive agrees to the reduction of the territorial or time limitation to the area or period which such court shall deem reasonable.

(d) The existence of any claim or cause of action by Executive against the Company or any subsidiary or affiliate shall not constitute a defense to the enforcement by the Company or any subsidiary or affiliate of the foregoing restrictive covenants, but such claim or cause of action shall be litigated separately.

11. INVENTIONS AND DISCOVERIES

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

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

12. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

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

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

13. SPECIFIC PERFORMANCE

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

14. AMENDMENT OR ALTERATION

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

15. GOVERNING LAW

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

16. SEVERABILITY

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

17. NOTICES

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

18. WAIVER OR BREACH

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

19. ENTIRE AGREEMENT AND BINDING EFFECT

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

20. SURVIVAL.

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

21. ARBITRATION

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

22. FURTHER ASSURANCES

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

23. HEADINGS

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

24. COUNTERPARTS

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

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

DESIGNS, INC.

By: /s/ DAVID A. LEVIN

Its: CEO/PRESIDENT

/s/ DENNIS R. HERNREICH

Dennis Hernreich

(In thousands)	For the three months ended July 29, 2000	For the three months ended July 31, 1999	For the six months ended July 29, 2000	For the six months ended July 31, 1999
Basic EPS Computation				
Numerator:				
Net Income (Loss)	$ 1,084	$ (536)	$ 610	$(1,398)
Denominator:				
Weighted average common shares outstanding	16,502	15,891	16,472	15,890
Basic EPS:	$ 0.07	$ (0.03)	$ 0.04	$ (0.09)
Diluted EPS Computation				
Numerator:				
Net Income (Loss)	$ 1,084	$ (536)	$ 610	$(1,398)
Denominator:				
Weighted average common shares outstanding	16,502	15,891	16,472	15,890
Stock options, excluding the effect of anti-dilutive options of 127 shares and 132 shares for the three months and six months ended July 29, 2000, respectively	183	--	88	--
Diluted weighted average shares outstanding	16,685	15,891	15,560	15,890
Diluted EPS:	$ 0.06	$ (0.03)	$ 0.04	$ (0.09)

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This Schedule Contains Summary Financial Information Extracted from the Consolidated Balance Sheets of Designs Inc. as of July 29, 2000 and the Consolidated Statements of Operations for the six months ending July 29, 2000 and is qualified in its entirety by reference to such financial statements.

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