

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report:

December 3, 1998

DESIGNS, INC.

(Exact Name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	0-15898 (Commission File Number)	04-2623104 (IRS Employer Identification No.)
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66 B Street, Needham, Massachusetts
(Address of principal executive offices)

02494
(Zip Code)

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

Item 5. Other Events

1. As previously announced, on September 30, 1998, Designs, Inc. (the "Company") purchased nine Levi's(R) Outlet stores and 16 Dockers(R) Outlet stores from Levi's Only Stores, Inc. ("LOS Inc."), a subsidiary of Levi Strauss & Co. The terms and conditions of the purchase of these outlet stores are set forth in an Asset Purchase Agreement between the Company and LOS Inc. dated as of September 30, 1998 (the "Asset Purchase Agreement"), a copy of which is attached as Exhibit 10.1 hereto.

2. As previously announced, on January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company, and LDJV Inc., a wholly-owned subsidiary of LOS Inc., entered into a Partnership Agreement (the "Partnership Agreement") to sell Levi's(R) brand jeans and jeans-related products through retail stores in a specified territory. The joint venture that was established by the Partnership Agreement is known as The Designs/OLS Partnership (the "OLS Partnership"). On October 31, 1998, Designs JV Corp., LDJV Inc. and the OLS Partnership entered into an Amendment and Distribution Agreement (the "Distribution Agreement") which, among other things, amends the terms of the Partnership Agreement and provides for the dissolution and winding up of the OLS Partnership. In accordance with the terms and conditions of the Distribution Agreement, on October 31, 1998, the OLS Partnership distributed 11 Levi's(R) Outlet stores to the Company and three Original Levi's Stores(TM) to LOS Inc. The Distribution Agreement contemplates that the OLS Partnership will dissolve and liquidators will be appointed when the last of its eight remaining Original Levi's Stores(TM) closes for business to the public, which the Company anticipates will occur, barring unforeseen circumstances, on or before January 30, 1999. A copy of the Distribution Agreement is attached as Exhibit 10.2 hereto.

3. In connection with the Distribution Agreement, the Company entered into a Guaranty dated as of October 31, 1998 (the "Guaranty"). Under the Guaranty, the Company unconditionally guaranteed, among other things, the indemnification obligations of Designs JV Corp. set forth in the Partnership Agreement and the Distribution Agreement. A copy of the Guaranty is attached as Exhibit 10.3 hereto.

4. On November 15, 1996, the Company and Levi Strauss & Co. entered into a trademark license agreement which provides the terms upon which the Company is permitted to use certain Levi Strauss & Co. trademarks in connection with the operations of the Company's Levi's(R) Outlet by Designs stores. As previously announced, in connection with the transfer of outlet stores to the Company under the Asset Purchase Agreement and the Distribution Agreement, the Company and Levi Strauss & Co. entered into an Amended and Restated

Trademark License Agreement dated as of October 31, 1998, a copy of which is attached as Exhibit 10.4 hereto.

5. As previously announced, the Company entered into an Amended and Restated Loan and Security Agreement dated as of June 4, 1998 (the "Credit Agreement"), with BankBoston Retail Finance, Inc. ("BBRF"), a subsidiary of BankBoston, N.A., as agent for the lenders named therein (the "Lenders"). Effective September 29, 1998, the Company, BBRF and the Lenders entered into a First Amendment to the Credit Agreement, a copy of which is attached as Exhibit 10.5 hereto.

6. Effective October 31, 1998, the Company, BBRF and the Lenders entered into a Second Amendment to the Credit Agreement, a copy of which is attached as Exhibit 10.6 hereto.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

- Exhibit 10.1 Asset Purchase Agreement, dated as of September 30, 1998, between Designs, Inc. (the "Company") and Levi's Only Stores, Inc.
- Exhibit 10.2 Amendment and Distribution Agreement, dated as of October 31, 1998, among The Designs/OLS Partnership, Designs JV Corp. and LDJV Inc.
- Exhibit 10.3 Guaranty, dated as of October 31, 1998, of the Company
- Exhibit 10.4 Amended and Restated Trademark License Agreement, dated as of October 31, 1998, between the Company and Levi Strauss & Co.
- Exhibit 10.5 First Amendment to Amended and Restated Loan and Security Agreement dated as of September 29, 1998, among the Company, BankBoston Retail Finance, Inc. ("BBRF"), as agent for the lenders named therein (the "Lenders"), and the Lenders
- Exhibit 10.6 Second Amendment to Amended and Restated Loan and Security Agreement dated as of October 31, 1998, among the Company, BBRF and the Lenders

SIGNATURES

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

DESIGNS, INC.

Date: December 3, 1998

By: /s/ Carolyn R. Faulkner

Carolyn R. Faulkner, Vice President,
Chief Financial Officer and Treasurer

ASSET PURCHASE AGREEMENT

between

DESIGNS, INC.

and

LEVI'S ONLY STORES, INC.

dated as of

September 30, 1998

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement dated as of September 30, 1998 (this "Agreement") is made by and between Designs, Inc., a Delaware corporation ("Designs"), and Levi's Only Stores, Inc., a Delaware corporation ("LOS").

WHEREAS, Designs and LOS (collectively the "Parties" and each individually a "Party") are in the business of owning and operating family clothing retail stores; and

WHEREAS, Designs wishes to purchase certain assets from, and assume certain obligations of, LOS related to the 25 stores listed on the Schedule of Stores attached hereto (collectively, the "Stores"); and

WHEREAS, LOS wishes to sell such assets and delegate such obligations to Designs subject to the terms and conditions set forth below;

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

ARTICLE 1

DEFINITIONS

1.1 Definitions

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

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

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

"Assumed Contracts" means those Contracts listed in Schedule 2.1 that Designs will assume.

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

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

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

"Contracts" means all Store Leases and other contracts and understandings to which LOS is a party with respect to any goods and services (for example, utilities) that are used or consumed at any Store.

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

"Controversy" means any dispute or claim involving the rights, obligations or liabilities of any Party under any Transaction Document. However, "Controversy" shall not include any dispute which a Transaction Document specifies will be resolved by or referred to an accounting firm or other expert or specialist.

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

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

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

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

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

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

"Store Employee" has the meaning set forth in Section 4.8 of this Agreement.

"Store Leases" has the meaning set forth in Section 2.1(a) of this Agreement.

"Stores" has the meaning set forth in the preliminary paragraphs of this Agreement.

"Transaction Documents" means this Agreement, a First Amendment to the Trademark License Agreement dated November 15, 1996 between Designs and LS&CO. and all other documents, certificates and instruments signed and delivered by one or both of the Parties in order to effect the Closing.

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

ARTICLE 2

PURCHASE AND SALE OF ASSETS

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

(a) the lease agreements for the real estate occupied by the Stores (the "Store Leases");

(b) all fixtures and tangible personal property owned by LOS and located at any Store on the Closing Date, including, for example, furniture, equipment, inventory, supplies, signage and copies, but not originals, of records;

(c) all rights that accrue after the Closing under all Assumed Contracts, including, without limitation, purchase orders for inventory

ordered but not yet received or paid for;

(d) all third party warranties to LOS relating to the Store Assets, whether express or implied, and claims arising under warranties, representations and guaranties made to LOS in connection with the operation of the Stores; and

(e) cash in the Stores in an amount equal to \$19,900.

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

Certain Contracts relate also to tangible personal property, other items or services that are also used at stores owned or operated by LOS which are not Stores. Those Contracts shall not be assigned and assumed, as such. However, unless and until Designs enters into a separate agreement with the relevant vendor or a substitute vendor, the Parties shall cooperate in order to do what they can to enable Designs to realize the benefits of those Contracts, subject to the burdens of those Contracts, but with respect to the Stores only, and Designs shall reimburse LOS for its costs related to such benefits and burdens. The Parties shall cooperate to cause the Partnership to obtain such separate agreements as soon as is reasonably practicable. In addition, LOS is party to certain Store-related Contracts which LOS and Designs have decided will not be assigned to Designs and with respect to which Designs will not assume the obligations of LOS .

2.2 Excluded Assets. Notwithstanding the provisions of Section 2.1, the Store Assets do not include:

(a) cash (other than the cash in the Stores described above), cash equivalents, security deposits, accounts receivable, claims, rights to refunds, point-of-sale registers, printers, LED displays, backroom terminals or claims of rights to refunds; and

(b) market or other research data and consumer names, addresses, order profiles and other consumer database information relating to the Stores, all of which LOS shall retain. The foregoing notwithstanding, Designs shall be entitled to access to and use of data relating to individual Store customers solely in connection with interactions with customers of the relevant Stores (and not in connection with separate marketing activities to promote businesses or products other than those offered for sale in the Stores) and shall not transfer such data or information to any third party.

2.3 Purchase Price. The purchase price for the Store Assets (the "Purchase Price") shall be equal to the net book value of the Store Assets as of the Closing determined in accordance with generally accepted accounting principles.

2.4 Payment. At the Closing, Designs shall pay LOS \$10,434,625 in cash, which represents the Parties' preliminary estimate of the Purchase Price (the "Estimated Purchase Price"). Designs shall wire that sum to an account designated by LOS. Further payments or refunds with respect to the Purchase Price, if any, shall be calculated and paid in accordance with Section 2.5.

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

(a) Within 60 days after the Closing, LOS shall deliver a statement to Designs setting forth all the figures needed to determine the net book value of the Store Assets (the "Asset Statement"). The Asset Statement shall be certified by LOS' senior finance manager as having been prepared in accordance with generally accepted accounting principles. Within 30 days after LOS delivers the Asset Statement to Designs, Designs shall (i) accept the Asset Statement or (ii) furnish LOS with a statement objecting to one or more of the figures in the Asset Statement and the basis for its objections and/or requiring that one or more of the figures in the Asset Statement be audited. If Designs does not respond within those 30 days, Designs shall be deemed to have accepted the Asset Statement. LOS shall furnish Designs and its representatives with all information reasonably requested by Designs or its representatives to enable it to assess the Asset Statement both during and after that 30-day period.

(b) If Designs timely objects to any aspect of the Asset Statement or, in any event, Designs requests that one or more figures in the Asset Statement be audited, the open issues shall be resolved or the audit shall be performed by an accounting firm jointly selected by Designs and LOS. The firm selected shall be instructed to resolve the matters in controversy within 30 days after it is selected or as soon thereafter as is reasonable. The Parties shall furnish that firm with all information it reasonably requests in order to

perform its task and meet that schedule. That firm's resolution of the open issues shall bind both Parties. The Parties shall each pay one-half of the fees and expenses of that firm.

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

(d) Computation of the Purchase Price shall reflect any diminution in value of the Store Assets associated with wind, water or other damage caused by Hurricane Georges to the Stores located in Gulfport, Mississippi and Destin, Florida.

2.6 Assumption of Obligations. Subject to the accuracy of LOS' representations and warranties set forth in Section 4.6, at the Closing, Designs shall assume LOS' obligations under each Assumed Contract listed in Schedule 2.1, to the extent (but only to the extent) that those obligations accrue after the Closing.

2.7 Gift Certificates and Credits. Before the Closing, LOS issued gift certificates and merchandise credits that are redeemable at the Stores. A number of those certificates and credits are still outstanding. Designs shall honor those certificates and credits after the Closing. Designs shall periodically submit copies of those gift certificates and merchandise credits redeemed after the Closing to LOS or, instead, a statement listing the serial numbers and face amounts of those redeemed certificates and credits. Within thirty (30) days after each such submission, LOS shall pay Designs an amount equal to the total face amount of the redeemed certificates and credits that were the subject of that submission.

2.8 No Other Assumed Obligations or Liabilities. Designs shall not assume any obligations or liabilities of LOS, except as expressly provided in Sections 2.6 and 2.7. For example, LOS shall retain and discharge all obligations and liabilities associated with its employees, including any of its employees who are hired by Designs, for the period they were or are employed by LOS, including any and all obligations and liabilities for severance, vacation, holidays, personal time, sick time and other compensation and employee benefits.

2.9 Prorations. In order to implement this Article 2, LOS and Designs shall prorate, as between them, all expenses associated with the Store Assets and the operation of the Stores. They shall do that as of the opening of business on the Closing Date. Examples are utilities, rent (including, for example, common area maintenance charges, taxes and other landlord's charges), insurance premiums (unless and to the extent Designs displaces existing coverage with other coverage), HVAC maintenance charges and security service charges. The prorations shall be based on the number of days elapsed during the relevant period up to, but not including, the Closing Date, unless such proration period would be manifestly unfair. An example of such "unfairness" would be a waterpipe break at a store, two days after the Closing Date, that results in charges for one million gallons of water on the water bill for that Store for the period that up to, but not including, the Closing Date. Under that circumstance, Designs would pay those incremental charges.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF DESIGNS

Designs represents and warrants to LOS that as of the Closing Date:

3.1 Organization and Authority. Designs is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Designs has also qualified to conduct business or is in the process of qualifying to conduct business in each of the states in which the Stores are located. Designs has all requisite power and authority to enter into and perform the Transaction Documents. The signing, delivery and performance by Designs of the Transaction Documents have been duly and validly authorized by all necessary corporate action on the part of Designs. Each Transaction Document constitutes a valid and binding obligation of Designs enforceable against Designs in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by Designs of each Transaction Document will not: (a) violate or conflict with any provision of the Certificate of Incorporation or By-laws of Designs; (b) violate, conflict with or result in a breach or termination of any contract or other instrument to which Designs is a

party or by which any of its assets is bound; (c) result in the creation of any Lien on any assets of Designs; (d) violate any judgment, order, injunction, decree or award that binds Designs or any of its assets; or (e) constitute a violation of law.

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

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

3.4 Hart-Scott-Rodino Antitrust Improvements Act of 1976. The Chief Executive Officer and Chief Financial Officer of Designs, acting on authority duly delegated from its Board of Directors, have determined that the value of the assets being acquired by Designs hereunder is less than \$15 million. Value, for this purpose, means the higher of the acquisition price set forth in this Agreement and fair market value as contemplated by 16 C.F.R. ss.801.10 promulgated under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF LOS

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

4.1 Organization and Authority. LOS and LS&CO. are each corporations duly organized, validly existing and in good standing under the laws of the State of Delaware. LOS is also duly qualified to conduct business and is in good standing in each of the states in which the Stores are located. LOS has all requisite power and authority to lease and operate the Stores, to carry on the business of the Stores and to enter into and perform the Transaction Documents. The signing, delivery and performance by LOS and LS&CO. of the Transaction Documents have been duly and validly authorized by all necessary corporate action on the part of LOS and LS&CO. Each Transaction Document constitutes a valid and binding obligation of LOS and LS&CO., as the case may be, and is enforceable against LOS and LS&CO. in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by LOS and LS&CO. of each Transaction Document signed by it will not: (a) violate or conflict with any provision of the Certificate of Incorporation or By-laws of LOS or LS&CO.; (b) violate, conflict with or result in a breach or termination of any contract or other instrument (including any Contract) to which LOS or LS&CO. is a party or by which any of its assets (including any Store Assets) is bound; (c) result in the creation of any Lien on any assets of LOS (including any Store Assets) or LS&CO.; (d) violate any judgment, order, injunction, decree or award that binds LOS or LS&CO. or any of its assets (including any Store Assets); or (e) assuming the accuracy of Designs' representation in Section 3.4, constitute a violation of law.

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

4.3 Litigation and Claims. Except as set forth in Schedule 4.3, there is no suit, action, investigation or other proceeding pending or, to the best knowledge of LOS, threatened against LOS relating to any of the transactions contemplated by this Agreement, any of the Store Assets (whether an

Assumed Contract or another asset), any Store or any aspect of the business conducted at any Store. Nor is there any outstanding judgment, order, injunction, decree or award that binds LOS with respect to, or otherwise affects, any of the Store Assets (whether an Assumed Contract or another asset), any Store or any aspect of the business conducted at any Store.

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

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

4.6 Contracts. All the Assumed Contracts are identified on Schedule 2.1. Except as set forth on Schedule 2.1, LOS has given Designs correct and complete copies of all the Assumed Contracts, including copies of all amendments to all the Assumed Contracts and all material written waivers of rights under all the Assumed Contracts. All the Assumed Contracts are legal, valid and binding obligations of LOS. To the knowledge of LOS, all the Assumed Contracts are also legal, valid and binding obligations of the other parties to the Assumed Contracts. Neither LOS nor, to the knowledge of LOS, any other party to any Contract is in material default under any Assumed Contract. Neither LOS nor, to the knowledge of LOS, any other such party has repudiated or purported to repudiate any Assumed Contract. No party to any Assumed Contract other than purchase orders to LS&CO. for inventory is an Affiliate, director or officer of LOS.

4.7 Financial Statements. Schedule 4.7 contains an income statement and an asset statement for each of the Stores for the periods and as of the dates indicated on Schedule 4.7. Except as set forth on Schedule 4.7, each such income statement and asset statement has been prepared in accordance with generally accepted accounting principles.

4.8 Employees. Schedule 4.8 contains a complete and accurate list of: (i) each employee of LOS employed at any Store (each such employee is sometimes referred to herein as a "Store Employee") and (ii) each Store Employee's salary or hourly rate currently in effect and annual bonus (last paid or payable), if any. LOS has not and will not, at any time prior to the Closing, increase the compensation payable or to become payable, or the benefits provided to, any Store Employee except in the ordinary course of business consistent with past practices. Except as set forth on Schedule 4.8, all Store Employees are actually at work, and no Store Employee is currently on leave of absence, layoff, military leave, suspension, sick leave, workers' compensation, salary continuance or short or long term disability or otherwise not actively performing such Store Employee's work during normally scheduled business hours. Except as set forth in Schedule 4.8, there are no charges with respect to or relating to the operation of any of the Stores before the Equal Employment Opportunity Commission or any court or government agency relating to discrimination or unlawful employment practices.

4.9 Employee Relations and ERISA. LOS is not a party to any collective bargaining agreement that covers any of the Store Employees or any other employees who worked at any Store at any time during the 12 months before the Closing. To LOS' best knowledge, no union or other labor organization is attempting or has attempted to organize any of the Store Employees or any such other employees. Except as shown on Schedule 4.9, LOS neither maintains or contributes to, nor has maintained or contributed to, any "employee pension benefit plan" (including any "multiemployer plan") or any "employee welfare benefit plan" (in each such case within the meaning of the of the Employee Retirement Income Security Act of 1974, as amended, or any rule or regulation adopted under that act) in which any Store Employees or any such other employees participate or have participated.

4.10 Brokers and Finders. No broker, finder or other Person acting on behalf of LOS is or will be entitled to any commission, fee or reimbursement in connection with any of the transactions contemplated by this Agreement.

EMPLOYEES

At the Closing, LOS shall make all Store Employees available to Designs for hiring by Designs.

ARTICLE 6

INDEMNIFICATION

6.1 By Designs. Designs shall indemnify LOS and LOS' Affiliates and hold them harmless from and against any and all Damages arising from: (a) any breach of any covenant, representation or warranty of Designs set forth in this Agreement; (b) all obligations of LOS to the extent (but only to the extent) that Designs expressly assumed them under Section 2.6 or 2.7 of this Agreement and all liabilities of LOS that arise out of Designs' access to and use of data and information as Designs contemplated by Section 2.2; and (c) all obligations and liabilities of Designs that arise from the ownership or operation of the Stores by Designs after the Closing other than those arising from or related to a breach of one or more of LOS' representations and warranties contained in this Agreement.

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

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

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

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

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

ARTICLE 7

DISPUTE RESOLUTION

Any Controversy under this Agreement or with respect to any of the subjects treated in this Agreement shall be resolved, if possible, by the good faith efforts of LOS and Designs including, if other efforts fail, a face-to-face meeting between a senior manager of LOS and a senior manager of Designs. If any Controversy is not settled by such efforts within 30 days after LOS or Designs requests such a meeting, either of them shall be entitled to cause the Controversy to be resolved by an arbitrator employed by JAMS/Endispute. If Designs initiates arbitration, the arbitration shall be conducted in San Francisco, California. If LOS initiates arbitration, the arbitration shall be conducted in Boston, Massachusetts. The arbitration shall be conducted in accordance with JAMS/Endispute's then-applicable Rules of Practice and Procedure for Arbitration. Pending the completion of any arbitration proceeding, obligations not in dispute shall continue to be performed. Except as provided below, such arbitration shall be the Parties' exclusive formal means of resolving any such Controversy. The decision of the arbitrator shall be final and binding on both Parties. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction. Notwithstanding the foregoing, to preserve rights or prevent or mitigate Damages and in aid of the arbitration process, LOS or Designs may apply to such a court for temporary or preliminary injunctive or other equitable relief pending the results of the arbitration. However, if the final decision of the arbitrator is inconsistent with any such relief so obtained, the arbitrator's final decision shall preempt that relief. Notwithstanding any other provision of this Article 7, any dispute relating to the amount of the Purchase Price shall be resolved in accordance with Section 2.5.

ARTICLE 8

MISCELLANEOUS

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

8.2 Further Assurances. After the Closing, each Party, at its own expense, shall sign and deliver all documents, and take all other actions, reasonably requested by the other Party in order to memorialize, better effectuate or perfect the sale and transfer of the Store Assets to Designs and Designs' assumption of the obligations required by Section 2.6 of this Agreement. Without limiting the generality of the foregoing, LOS agrees to cooperate with and assist Designs in obtaining the benefits of all third party warranties related to the Store Assets.

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

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

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

If to LOS:	With a Copy to:
Levi's Only Stores, Inc. 1159 Dublin Road Columbus, OH 43215 Attention: Facsimile: (614) 232-5580	Levi Strauss & Co. Levi's Plaza 1155 Battery Plaza San Francisco, CA 94111 Attention: General Counsel/LOS Facsimile:(415) 501-7650

If to Designs:	With a Copy to:
Designs, Inc. 66 B Street Needham, MA 02494 Attention: President Facsimile: (781) 449-8666	Designs, Inc. 66 B Street Needham, MA 02494 Attention: General Counsel Facsimile: (781) 449-8666

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

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

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

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

8.10 Costs of Enforcement. If either Party to this Agreement seeks to enforce its rights under this Agreement by formal proceedings or otherwise, the non-prevailing Party shall pay all costs and expenses incurred by the prevailing Party (who shall be the Party which obtains substantially the relief it sought, whether by settlement, compromise or judgment), including all reasonable attorneys' fees and costs.

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

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

8.13 Public Announcements. Except for announcements or filings required by law, without the prior consent of the other Party, each Party will not issue or permit any of its subsidiaries, directors, officers, employees or agents to issue any press release or other information to the press or any third party with respect to this Agreement or the transactions contemplated hereby.

8.14 Certain Matters of Construction. A reference to an Article, Section or Schedule shall mean an Article of, Section in or Schedule to, this Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice-versa.

* * * * *

IN WITNESS WHEREOF, the parties hereto have entered into this Asset Purchase Agreement as of the date first above written.

LEVI'S ONLY STORES, INC.

By /s/ Marion White

Marion White, Vice President

DESIGNS, INC.

By /s/ Joel H. Reichman

Joel H. Reichman, President

AMENDMENT AND DISTRIBUTION AGREEMENT

by and among

DESIGNS JV CORP.,

LDJV INC.

and

THE DESIGNS/OLS PARTNERSHIP

DATED AS OF

October 31, 1998

AMENDMENT AND DISTRIBUTION AGREEMENT

This Amendment and Distribution Agreement dated as of October 31, 1998 (this "Distribution Agreement") is made by and among Designs JV Corp., a Delaware corporation (the "Designs Partner"), LDJV Inc., a Delaware corporation (the "LOS Partner"), and The Designs/OLS Partnership, a Delaware general partnership (the "Partnership").

WHEREAS, the Designs Partner and the LOS Partner (collectively, the "Partners") formed the Partnership on January 28, 1995 to own and operate retail stores in a specified territory;

WHEREAS, the Partners have decided to cause the Partnership to (i) distribute certain stores and other assets to the Partners or their designees, (ii) close the remaining stores, (iii) dissolve and wind up the Partnership, (iv) liquidate the remaining Partnership assets and (v) distribute the cash proceeds and any remaining Partnership assets and liabilities to the Partners and their designees in the manner, and subject to the terms and conditions, set forth below; and

WHEREAS, the Management Committee of the Partnership has unanimously approved the termination of the Partnership and the distribution of its assets in accordance with the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Partners and the Partnership (collectively, the "Parties") hereby agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Terms Defined in Glossary. Capitalized terms used, but not otherwise defined, in this Distribution Agreement shall have the meanings given them in the Glossary which the Parties executed simultaneously with the execution of the Original Partnership Agreement.

1.2 Terms Defined in this Distribution Agreement. When used with initial capital letters in the Closing Documents or the Transaction Documents, as amended, the following terms have the following meanings:

"ASA Amendment" has the meaning set forth in Section 9.2(a)(ii)(C) of this Distribution Agreement.

"closed", with respect to any Remaining Store, has the meaning set forth in Section 5.1 of this Distribution Agreement.

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

"Credit Agreement" has the meaning set forth in Section 9.2(a)(ii)(G) of this Distribution Agreement.

"Designs Partner Closing Contribution" has the meaning set forth in Section 4.1 of this Distribution Agreement.

"Estimated Outlet Assets Value" has the meaning set forth in Section 2.3(b) of this Distribution Agreement.

"Estimated UIS Assets Value" has the meaning set forth in Section 3.3(b) of this Distribution Agreement.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Liquidators" has the meaning set forth in Section 6.2(a) of this Distribution Agreement.

"LOS Partner Closing Contribution" has the meaning set forth in Section 4.2 of this Distribution Agreement.

"Original Partnership Agreement" means the Partnership Agreement dated as of January 28, 1995 among the Parties.

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

"Outlet Asset Statement" has the meaning set forth in Section 2.3(c) of this Distribution Agreement.

"Outlet Assets Value" has the meaning set forth in Section 2.3(a) of this Distribution Agreement.

"Outlet Consumer Data" has the meaning set forth in Section 2.1(e) of this Distribution Agreement.

"Outlet Contracts" means all Outlet Store Leases, purchase orders for inventory ordered but not yet received or paid for, and other contracts and understandings to which the Partnership is a party with respect to any goods or services (for example, utilities) that are used or consumed at any Outlet Store. (The Outlet Contracts are listed in Schedule 2.1.)

"Outlet Employees" means the employees of the Partnership employed at the Outlet Stores on the date of the Store Distribution Closing.

"Outlet License Agreement" has the meaning set forth in Section 9.2(a)(ii)(B) of this Distribution Agreement.

"Outlet POS Equipment" has the meaning set forth in Section 2.4(b) of this Distribution Agreement.

"Outlet Store Leases" has the meaning set forth in Section 2.1(a) of this Distribution Agreement.

"Outlet Stores" means the Outlets listed in Schedule 1.2 under the heading "Outlet Stores".

"Outstanding Personal Order Orders" has the meaning set forth in Section 3.11 of this Distribution Agreement.

"Participation Agreement Amendment" has the meaning set forth in Section 9.2(a)(ii)(D) of this Distribution Agreement.

"Remaining Store Consumer Data" has the meaning set forth in Section 5.6(a) of this Distribution Agreement.

"Remaining Store Inventory" means inventory located at or in transit to a Remaining Store.

"Remaining Store POS Equipment" has the meaning set forth in Section 5.5 of this Distribution Agreement.

"Remaining Stores" means the OLSs listed in Schedule 1.2 under the heading "Remaining Stores".

"Store Distribution Closing" means the consummation of the transactions contemplated by Articles 2, 3 and 4 of this Distribution Agreement.

"Store Distribution Closing Date" has the meaning set forth in Section 9.1 of this Distribution Agreement.

"Surplus Cash" means the cash and cash equivalents of the Partnership determined by the Liquidators to be available for distribution to the Partners or their designees after setting aside adequate reserves (i) to operate the Partnership until all Partnership Assets have been sold or distributed, (ii) to discharge all of the Partnership's remaining known and contingent liabilities and (iii) to wind up the affairs of the Partnership.

"Termination Date" has the meaning set forth in Section 6.1 of this Distribution Agreement.

"UIS Assets" has the meaning set forth in Sections 3.1 and 3.2 of this Distribution Agreement.

"UIS Asset Statement" has the meaning set forth in Section 3.3(c) of this Distribution Agreement.

"UIS Assets Value" has the meaning set forth in Section 3.3(a) of this Distribution Agreement.

"UIS Close-Out Inventory" has the meaning set forth in Section 3.2(b) of this Distribution Agreement.

"UIS Consumer Data" has the meaning set forth in Section 3.1(e) of this Distribution Agreement.

"UIS Contracts" means all UI Store Leases, purchase orders for inventory ordered but not yet received or paid for, and other contracts and understandings to which the Partnership is a party with respect to any goods or services (for example, utilities) that are used or consumed at any Urban Image Store. (The UIS Contracts are listed in Schedule 3.1.)

"UIS Employees" means the employees of the Partnership employed at the Urban Image Stores on the date of the Store Distribution Closing.

"UIS POS Equipment" has the meaning set forth in Section 3.4(b) of this Distribution Agreement.

"UI Store Leases" has the meaning set forth in Section 3.1(a) of this Distribution Agreement.

"Unassigned Partnership Liability" has the meaning set forth in Section 10.1(o)(ii) of this Distribution Agreement.

"Urban Image Stores" means the OLSs listed in Schedule 1.2 under the heading "Urban Image Stores".

1.3 Accounting Terms. For purposes of this Distribution Agreement, all accounting terms not otherwise defined in this Distribution Agreement shall have the meanings assigned to them by GAAP, applied in a manner consistent with how the Partnership maintains its books and records (unless the Parties agree otherwise).

1.4 Certain Matters of Construction. A reference to a Schedule or Exhibit shall mean a Schedule or Exhibit to this Distribution Agreement unless otherwise expressly stated. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Distribution Agreement which shall be considered as a whole. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice-versa.

ARTICLE 2

DISTRIBUTION OF OUTLET STORES TO DESIGNS PARTNER

2.1 Distribution of Outlet Assets. At the Store Distribution Closing, the Partnership shall distribute to the Designs Partner or its designee all of the Partnership's right, title and interest in and to the Outlet Assets. The "Outlet Assets" consist of:

(a) the lease agreements for the real estate occupied by the Outlet Stores (the "Outlet Store Leases") and related security deposits;

(b) all fixtures and tangible personal property owned by the Partnership and located at any Outlet Store on the Store Distribution Closing Date, including, for example, furniture, equipment, inventory, supplies, signage and copies, but not originals, of records;

(c) except as set forth in Section 2.4(c) of this Distribution Agreement, all rights that accrue after the Store Distribution Closing under the Outlet Contracts;

(d) all third party warranties to the Partnership relating to the Outlet Assets, whether expressed or implied, and claims arising under warranties, representations and guaranties made to the Partnership in connection with the operation of the Outlet Stores;

(e) consumer names, addresses, order profiles and any other consumer database information, and any market or research data collected by the Partnership and relating to the Outlet Stores or their consumers or markets (the "Outlet Consumer Data");

(f) cash in the Outlet Stores in an aggregate amount equal to \$14,900; and

(g) the UIS Close-Out Inventory.

Schedule 2.1 to this Distribution Agreement is a list of the Outlet Assets segregated by Outlet Store, excepting items of owned tangible property that had an original cost of less than \$1,000. Because the Partnership prepared Schedule 2.1, any failure to identify any Outlet Assets on Schedule 2.1 shall not prejudice the right of the Designs Partner to those assets.

2.2 Excluded Assets. Notwithstanding the provisions of Section 2.1 of this Distribution Agreement, the Outlet Assets do not include cash (other than the cash described in Section 2.1(f)), cash equivalents (other than security deposits), accounts receivable, claims, rights to refunds or claims of rights to refunds.

2.3 Value of Outlet Assets.

(a) General. For the purposes of Section 9.1(b) of the Original Partnership Agreement, the value of the Outlet Assets shall be equal to the net book value of the Outlet Assets as of the Store Distribution Closing Date, determined in accordance with GAAP (the "Outlet Assets Value").

(b) Estimated Outlet Assets Value. For the purposes of calculating the amounts of certain contributions and distributions under this Distribution Agreement prior to the determination of the final Outlet Assets Value pursuant to Section 2.3(c), the Parties' preliminary estimate of the Outlet Assets Value is \$6,325,164 (the "Estimated Outlet Assets Value").

(c) Final Outlet Assets Value. After the Store Distribution Closing, the Parties shall determine the final Outlet Assets Value as follows:

(i) Within 60 days after the Store Distribution Closing Date, the Partnership shall deliver a statement to the Designs Partner and the LOS Partner setting forth all the figures needed to determine the final Outlet Assets Value (the "Outlet Asset Statement"). The Outlet Asset Statement shall be certified by the Chief Financial Officer of Designs as having been prepared in accordance with GAAP. Within 30 days after the Partnership delivers the Outlet Asset Statement to the Designs Partner, the Designs Partner shall (i) accept the Outlet Asset Statement or (ii) furnish the Partnership and the LOS Partner with a statement objecting to one or more of the figures in the Outlet Asset Statement and the basis for its objections and/or requiring that one or more of the figures in the Outlet Asset Statement be audited. If the Designs Partner does not respond within those 30 days, the Designs Partner shall be deemed to have accepted the Outlet Asset Statement. The Partnership shall furnish the Designs Partner and its representatives and the LOS Partner with all information reasonably requested by the Designs Partner or its representatives to enable it to assess the Outlet Asset Statement both during and after that 30-day period.

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

2.4 Assumption of Obligations; Certain Liabilities.

(a) General. At the Store Distribution Closing, the Designs Partner shall assume the Partnership's obligations under each Outlet Contract listed in Schedule 2.1, to the extent (but only to the extent) that those obligations accrue after the Store Distribution Closing Date. The Designs Partner also shall be responsible for all other obligations and liabilities that arise from the operation of the Outlet Stores after the Store Distribution Closing Date.

(b) Outlet POS Equipment. The Partnership shall allow the Designs Partner or its designee to use the point-of-sale registers, printers, LED displays, backroom terminals and related equipment located at the Outlet Stores on the Store Distribution Closing Date (the "Outlet POS Equipment"). For the purposes of Section 10.1(o) of this Distribution Agreement, the Designs Partner shall be deemed to have assumed all rent or other obligations of the Partnership relating to the Outlet POS Equipment to the extent (but only to the extent) that those obligations accrue after the Store Distribution Closing Date. The Partnership shall not actually assign to the Designs Partner any obligations or liabilities under the Partnership lease that relates to the Outlet POS Equipment.

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

2.5 Gift Certificates and Credits. Before the Store Distribution Closing, the Partnership issued gift certificates and merchandise credits that are redeemable at the Outlet Stores. A number of those certificates and credits are still outstanding. The Designs Partner shall honor those certificates and credits after the Store Distribution Closing. The Designs Partner shall periodically submit copies of those gift certificates and merchandise credits redeemed after the Store Distribution Closing to the Partnership and the LOS Partner. Within 30 days after each such submission, the Partnership shall either (i) pay the Designs Partner an amount equal to the total face amount of the redeemed certificates and credits that were the subject of that submission or (ii) notify the Designs Partner and the LOS Partner that the Partnership does not have a sufficient amount of cash available to make such payment. Within 30 days after receipt of any such notice from the Partnership, the LOS Partner shall pay the Designs Partner an amount equal to 30 percent of the total face amount of the redeemed certificates and credits that were the subject of the Designs Partner's submission.

2.6 No Other Assumed Obligations or Liabilities. The Designs Partner shall not assume hereunder any obligations or liabilities of the Partnership relating to the Outlet Assets, except as expressly provided in Sections 2.4 and 2.5 of this Distribution Agreement. For example, the Partnership shall retain and discharge all obligations and liabilities associated with its employees, including any of its employees who are hired by the Designs Partner, for the period they were or are employed by the Partnership, including any and all obligations and liabilities for severance, vacation, personal time and sick time. Other excluded liabilities include claims that arise from the operation of the Outlet Stores before the Store Distribution Closing, whether or not such claims are the subject of litigation on the Store Distribution Closing Date.

2.7 Prorations. In order to implement this Article 2, the Partnership and the Designs Partner shall prorate, as between them, all expenses associated with the Outlet Assets and the operation of the Outlet Stores. They shall do that as of 12:01 a.m. on the day immediately after the Store Distribution Closing Date. Examples are utilities, rent (including, for example, common area maintenance charges, taxes and other landlord's charges), insurance premiums (unless and to the extent the Designs Partner displaces existing coverage with other coverage), HVAC maintenance charges and security service charges. The prorations shall be based on the number of days elapsed during the relevant period up to, and including, the Store Distribution Closing Date, unless such proration period would be manifestly unfair. An example of such "unfairness" would be a waterpipe break at a store, two days after the Store Distribution Closing Date, that results in charges for one million gallons of water on the water bill for that Outlet Store for the period up to, and including, the Store Distribution Closing Date. Under that circumstance, the Designs Partner would pay those incremental charges.

2.8 Outlet Employees. At the Distribution Closing, the Partnership shall make all Outlet Employees available to the Designs Partner for hiring by the Designs Partner.

2.9 Outlet Consumer Data. The Designs Partner will not use the Outlet Consumer Data in any manner that is inconsistent with the customer data policies and practices of the Partnership as in effect immediately prior to the Store Distribution Closing.

ARTICLE 3

DISTRIBUTION OF URBAN IMAGE STORES TO LOS PARTNER

3.1 Distribution of UIS Assets. At the Store Distribution Closing, the Partnership shall distribute to the LOS Partner or its designees all of the Partnership's right, title and interest in and to the UIS Assets. The "UIS Assets" consist of:

(a) the lease agreements for the real estate occupied by the Urban Image Stores (the "UI Store Leases") and related security deposits;

(b) all fixtures and tangible personal property owned by the Partnership and located at any Urban Image Store on the Store Distribution Closing Date, including, for example, furniture, equipment, inventory (except for UIS Close-Out Inventory), supplies, signage and copies, but not originals, of records;

(c) except as set forth in Section 3.4(c) of this Distribution Agreement, all rights that accrue after the Store Distribution Closing under the UIS Contracts;

(d) all third party warranties to the Partnership relating to the UIS Assets, whether express or implied, and claims arising under warranties, representations and guaranties made to the Partnership in connection with the operation of the Urban Image Stores;

(e) consumer names, addresses, order profiles and any other consumer database information, and any market or research data collected by the Partnership and relating to the Urban Image Stores or their consumers or markets (the "UIS Consumer Data"); and

(f) cash in the Urban Image Stores in an aggregate amount equal to \$6,800.

Schedule 3.1 to this Distribution Agreement is a list of the UIS Assets segregated by Urban Image Store, excepting items of owned tangible property that had an original cost of less than \$1,000. Because the Partnership prepared Schedule 3.1, any failure to identify any UIS Assets on Schedule 3.1 shall not prejudice the right of the LOS Partner to those assets.

3.2 Excluded Assets. Notwithstanding the provisions of Section 3.1 of this Distribution Agreement, the UIS Assets do not include:

(a) the UIS POS Equipment, cash (other than the cash described in Section 3.1(f)), cash equivalents (other than security deposits), accounts receivable, claims, rights to refunds or claims of rights to refunds;

(b) the close-out, irregular and end-of-season inventory described in Schedule 3.2(b) (the "UIS Close-Out Inventory"); and

(c) mannequins and other items of equipment that are stored at, and not currently being used at, the Urban Image Stores.

3.3 Value of UIS Assets.

(a) General. For the purposes of Section 9.1 of the Original Partnership Agreement, the value of the UIS Assets shall be equal to the net book value of the UIS Assets as of the Store Distribution Closing Date, determined in accordance with GAAP (the "UIS Assets Value").

(b) Estimated UIS Assets Value. For the purposes of calculating the amounts of certain contributions and distributions under this Distribution Agreement prior to the determination of the final UIS Assets Value pursuant to Section 3.3(c), the Parties' preliminary estimate of the UIS Assets Value is \$5,567,569 (the "Estimated UIS Assets Value").

(c) Final UIS Assets Value. After the Store Distribution Closing, the Parties shall determine the final UIS Assets Value as follows:

(i) Within 60 days after the Store Distribution Closing, the Partnership shall deliver a statement to the LOS Partner and the Designs Partner setting forth all the figures needed to determine the final UIS Assets Value (the "UIS Asset Statement"). The UIS Asset Statement shall be certified by the Chief Financial Officer of Designs as having been prepared in accordance with GAAP. Within 30 days after the Partnership delivers the UIS Asset Statement to the LOS Partner, the LOS Partner shall (i) accept the UIS Asset Statement or (ii) furnish the Partnership and the Designs Partner with a statement objecting to one or more of the figures in the UIS Asset Statement and the basis for its objections and/or requiring that one or more of the figures in the UIS Asset Statement be audited. If the LOS Partner does not respond within those 30 days, the LOS Partner shall be deemed to have accepted the UIS Asset Statement. The Partnership shall furnish the LOS Partner and its representatives and the Designs Partner with all information reasonably requested by the LOS Partner or its representatives to enable it to assess the UIS Asset Statement both during and after that 30-day period.

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

3.4 Assumption of Obligations; Certain Liabilities.

(a) General. At the Store Distribution Closing, the LOS Partner shall assume the Partnership's obligations under each UIS Contract listed in Schedule 3.1, to the extent (but only to the extent) that those obligations accrue after the Store Distribution Closing Date. The LOS Partner also shall be responsible for all other obligations and liabilities that arise from the operation of the Urban Image Stores after the Store Distribution Closing Date.

(b) UIS POS Equipment. The Partnership shall not distribute to the LOS Partner the point-of-sale registers, printers, LED displays, backroom terminals and related equipment located at the Urban Image Stores on the Store Distribution Closing Date (the "UIS POS Equipment"). Immediately after the Store Distribution Closing Date, the Partnership shall ship the UIS POS Equipment from the Urban Image Stores to a storage facility designated by the Partnership. For the purposes of Section 10.1(o) of this Distribution Agreement, the Partnership shall retain after the Store Distribution Closing Date all obligations and liabilities of the Partnership relating to the UIS POS Equipment.

(c) Certain UIS Contracts. Notwithstanding Section 3.1(c) of this Distribution Agreement, certain UIS Contracts relate also to tangible personal property, other items or services that are used at Stores owned or operated by the Partnership which are not Urban Image Stores or at stores owned or operated by others. Those UIS Contracts shall not be assigned and assumed, as such. However, unless and until the LOS Partner enters into a separate agreement with the relevant vendor or a substitute vendor, the Parties shall cooperate in order to do what they can to enable the LOS Partner to realize the benefits of those UIS Contracts, subject to the burdens of those UIS Contracts, but with respect to the Urban Image Stores only, and the LOS Partner shall reimburse the Partnership for its costs related to such benefits and burdens. The Parties shall cooperate to cause the Partnership to obtain such separate agreements as soon as is reasonably practicable.

3.5 Gift Certificates and Credits. Before the Store Distribution Closing, the Partnership issued gift certificates and merchandise credits that are redeemable at the Urban Image Stores. A number of those certificates and credits are still outstanding. The LOS Partner shall honor those certificates and credits after the Store Distribution Closing. The LOS Partner shall periodically submit copies of those gift certificates and merchandise credits redeemed after the Store Distribution Closing to the Partnership and the Designs Partner. Within 30 days after each such submission, the Partnership shall either (i) pay the LOS Partner an amount equal to the total face amount of the redeemed certificates and credits that were the subject of that submission or (ii) notify the LOS Partner and the Designs Partner that the Partnership does not have a sufficient amount of cash available to make such payment. Within 30 days after receipt of any such notice from the Partnership, the Designs Partner shall pay the LOS Partner an amount equal to 70 percent of the total face amount of the redeemed certificates and credits that were the subject of the LOS Partner's submission.

3.6 No Other Assumed Obligations or Liabilities. The LOS Partner shall not assume hereunder any obligations or liabilities of the Partnership relating to the UIS Assets, except as expressly provided in Sections 3.4 and 3.5 of this Distribution Agreement. For example, the Partnership shall retain and discharge all obligations and liabilities associated with its employees, including any of its employees who are hired by the LOS Partner, for the period they were or are employed by the Partnership, including any and all obligations and liabilities for severance, vacation, personal time and sick time. Other excluded liabilities include (i) the Partnership's obligations under the equipment lease for point-of-sale equipment located at the Urban Image Stores and (ii) claims that arise from the operation of the Urban Image Stores before the Store Distribution Closing, whether or not such claims are the subject of litigation on the Store Distribution Closing Date.

3.7 Prorations. In order to implement this Article 3, the Partnership and the LOS Partner shall prorate, as between them, all expenses associated with the UIS Assets and the operation of the Urban Image Stores. They shall do that as of 12:01 a.m. on the day immediately after the Store Distribution Closing Date in the manner described in Section 2.7 of this Distribution Agreement.

3.8 UIS Employees. At the Store Distribution Closing, the Partnership shall make all UIS Employees available to the LOS Partner for hiring by the LOS Partner.

3.9 UIS Consumer Data. The LOS Partner will not use the UIS Consumer Data in any manner that is inconsistent with the customer data policies and practices of the Partnership as in effect immediately prior to the Store Distribution Closing.

3.10 UIS Close-Out Inventory. The Partnership shall package and otherwise prepare the UIS Close-Out Inventory for shipment and the Designs Partner shall arrange for shipment, at its expense and risk, of the UIS Close-Out Inventory from the Urban Image Stores to one or more locations designated by the Designs Partner.

3.11 Personal Pair Program. As soon as practicable after the Store Distribution Closing, the Partnership shall transfer to the LOS Partner all deposits and all invoices for outstanding orders received by the Partnership at any Urban Image Store before the Store Distribution Date in connection with the Personal Pair™ program (the "Outstanding Personal Pair™ Orders"). At the time that the LOS Partner receives the deposits and invoices for the Outstanding Personal Pair™ Orders, the Partnership shall be deemed to have transferred and assigned to the LOS Partner, and the LOS Partner shall be deemed to have assumed (without the need for any further documentation), all obligations and liabilities of the Partnership related to the Outstanding Personal Pair™ Orders. For the purposes of Section 9.1 of the Original Partnership Agreement, this transfer of assets and liabilities to the LOS Partner from the Partnership shall not affect the Capital Accounts of the Partners.

ARTICLE 4

CAPITAL CONTRIBUTIONS MADE IN CONNECTION WITH THE STORE DISTRIBUTION CLOSING

4.1 Designs Partner. At the Store Distribution Closing, the Designs Partner shall make a cash capital contribution to the Partnership (the "Designs Partner Closing Contribution") in the amount of \$133,621. The Designs Partner shall transfer the Designs Partner Closing Contribution to an account designated by the Partnership.

4.2 LOS Partner. At the Store Distribution Closing, the LOS Partner shall make a cash capital contribution to the Partnership (the "LOS Partner Closing Contribution") in the amount of \$2,909,750. The LOS Partner shall wire transfer the LOS Partner Closing Contribution to an account designated by the Partnership.

4.3 Use of Closing Date Capital Contributions. The Designs Partner Closing Contribution and the LOS Partner Closing Contribution may be used by the Partnership for general purposes, the closure of the Remaining Stores and the winding up of the Partnership.

ARTICLE 5

CLOSURE OF REMAINING STORES

5.1 In General. After the Store Distribution Closing, the Partnership shall continue to negotiate the closure of the Remaining Stores that have not already been closed. For the purposes of this Distribution Agreement, a Remaining Store shall be deemed "closed" as of 11:59 p.m. on the final date that it is open for business to the public.

5.2 Timing. The Partnership shall close all of the Remaining Stores by January 30, 1999, unless the Partners agree in writing to continue to operate one or more Remaining Store until a later date certain by which all of the Remaining Stores are to be closed. The Partners shall promptly deliver to the GM any such written agreement extending the date of the final closure of the Remaining Stores.

5.3 Operation of Remaining Stores. The Partnership shall continue to operate each Remaining Store until it is closed. The Partnership shall (i) operate the Remaining Stores in a manner consistent with the Transaction Documents, as amended, and (ii) negotiate suitable arrangements with landlords and other third parties for the closure of the Remaining Stores. The Parties will cooperate in good faith concerning marketing, merchandise pricing and other matters concerning the operation of the Remaining Stores until they are closed.

5.4 Distribution of Inventory to Designs Partner. The Partnership shall liquidate the assets of the Remaining Stores in the manner provided in Section 6.2 of this Distribution Agreement; provided, however, that all of the Remaining Store Inventory shall be distributed to the Designs Partner or its designees. The Remaining Store Inventory of each Remaining Store shall be transferred to the Designs Partner, before and after such Remaining Store is closed, in accordance with the transfer policies of the Partnership in effect prior to the Store Distribution Closing Date. The Partnership shall package and otherwise prepare the Remaining Store Inventory for shipment and the Designs Partner shall arrange for shipment, at its expense and risk, of the Remaining Store Inventory from the Remaining Stores to one or more locations designated by the Designs Partner. For the purposes of Section 9.1 of the Original Partnership Agreement and the following sentence, the Remaining Store Inventory of each Remaining Store shall be valued as of the date such Store is closed in accordance with GAAP, adjusted in accordance with the transfer and markdown policies of the Partnership in effect on the date hereof. If a distribution of Remaining Store Inventory would cause the Capital Account of the Designs Partner to have a negative balance, then the Designs Partner shall promptly contribute to the Partnership an amount of cash sufficient to cause its Capital Account to have a balance of at least \$0.

5.5 Remaining Store POS Equipment. Notwithstanding Section 6.2 of this Distribution Agreement, the Partnership shall not sell or distribute the point-of-sale registers, printers, LED displays, backroom terminals and related equipment located at any of the Remaining Stores (the "Remaining Store POS Equipment"). Immediately after the closing of a Remaining Store, the Partnership shall ship any Remaining Store POS Equipment from such Remaining Store to a storage facility designated by the Partnership. For the purposes of Section 10.1(o) of this Distribution Agreement, the Partnership shall retain after the closing of each Remaining Store all obligations and liabilities of the Partnership relating to the Remaining Store POS Equipment.

5.6. Remaining Store Consumer Data.

(a) Remaining Store Consumer Data. On the date that any Remaining Store is closed, the Partnership shall distribute to the Partners or their respective designees all consumer names, addresses, order profiles and any other consumer database information, and any market or research data collected by the Partnership and relating to the Remaining Stores or their consumers or markets except for consumer information specifically related to the Personal Pair™ marketing program (the "Remaining Store Consumer Data"). Neither Partner shall use the Remaining Store Consumer Data in any manner that is inconsistent with the customer data policies and practices of the Partnership as in effect immediately prior to the Store Distribution Closing. For the purposes of Section 9.1 of the Original Partnership Agreement, the Remaining Store Consumer Data shall have no value.

(b) Personal Pair Consumer Data. On the date that any Remaining Store is closed, the Partnership shall destroy or return to LS&CO. any consumer information specifically related to the Personal Pair™ marketing program in its possession. Neither the LOS Partner nor its designees shall have any restrictions hereunder on the use of such information and, for the purposes of Section 9.1 of the Original Partnership Agreement, such information shall have no value.

5.7 Expenses. In accordance with Section 10.1(k) of this Distribution Agreement, the Partnership shall bear the costs of closing the Remaining Stores, including expenses relating to severance or stay payments for employees, termination of leases, and the liquidation or disposal of fixed and other assets associated with the Remaining Stores. The Designs Partner shall bear the costs and risks of shipping the Remaining Store Inventory to destinations designated by Designs.

ARTICLE 6

TERMINATION, DISSOLUTION AND WINDING UP

6.1 Termination Date. The Partnership shall dissolve on the date that the last Remaining Store is closed (the "Termination Date").

6.2 Liquidation of Partnership Assets.

(a) Liquidators.

(i) Appointment. On the Termination Date, the Partnership will appoint one officer of each of the Partners to serve as liquidators of the Partnership (collectively, the "Liquidators"). The form of appointment which designates the Liquidators is attached as Exhibit 6.2(a)(i).

(ii) Authority. Subject to Section 6.2(a)(iii), the Liquidators shall have authority to liquidate and wind up the Partnership, including the authority to sell, donate, distribute or otherwise dispose of fixed and other Partnership Assets, and to establish acceptable administrative, insurance and other arrangements for the purpose of winding up the business and affairs of the Partnership. The Liquidators shall organize and conduct sales of the Partnership Assets in accordance with this Section 6.2 of this Distribution Agreement.

(iii) Management of Litigation. The Designs Partner shall have the exclusive authority to manage and settle for and on behalf of the Partnership all pending litigation involving the Partnership and third parties, including the authority to agree to amounts to be paid in settlement, to execute and deliver releases, and to execute and deliver all other agreements, documents and instruments it deems appropriate; provided, however, that the Designs Partner shall have no authority to agree to a settlement agreement which burdens the Partners other than in accordance with their respective Percentage Interests without the consent of the disproportionately burdened Partner. Schedule 6.2(a)(iii) is a list of all suits, actions, investigations or other proceedings pending or, to the knowledge of any Party, threatened against the Partnership.

(b) Timing.

(i) Liquidation Prior to Termination Date. During the period between the Store Distribution Closing Date and the Termination Date, the Partnership shall sell or otherwise dispose of all those Partnership Assets that are located at, or in transit to, the premises of the Remaining Stores; provided, however, that, without the consent of the Designs Partner, the Partnership shall not sell or otherwise dispose of any Remaining Store Inventory, but rather, shall distribute such inventory to the Designs Partner or its designees as provided in Section 5.4 of this Distribution Agreement. The Partnership shall endeavor to coordinate the timing of the sale and distribution of the assets of the Remaining Stores so that each Remaining Store may continue to operate as profitably as reasonably possible until the day that it is closed.

(ii) Liquidation After the Termination Date. Immediately after the Termination Date, the Partnership shall proceed as promptly as reasonably possible to sell or otherwise dispose of all of the then remaining Partnership Assets.

(c) Certain Terms of Sale. The Partnership may sell the Partnership Assets to one or more purchasers. The Partnership shall endeavor to sell the Partnership Assets for cash, plus the assumption by the purchaser of the Partnership's and the Partners' obligations and liabilities. Either Partner and any Affiliate of either Partner may bid on and purchase any and all Partnership Assets offered for sale under this Section 6.2. However, neither Partner and no Affiliate of either Partner shall have any special advantage in that process. The price and other features of any bid by a Partner or Affiliate of a Partner shall be compared with the price and other features of all other bids as though the Partner or Affiliate were an "outside" bidder. Any sale of Partnership Assets to a Partner or an Affiliate of a Partner shall be subject to the approval of the "disinterested" Partner in accordance with Section 5.11 of the Original Partnership Agreement.

6.3 Valuation Adjustments.

(a) Outlet Assets Value. If the Parties determine, in accordance with Section 2.3(c) of this Distribution Agreement, that the final Outlet Assets Value is higher or lower than the Estimated Outlet Assets Value, then the Partnership shall promptly adjust the Capital Accounts of the Partners in accordance with Section 9.1 of the Original Partnership Agreement.

(b) UIS Assets Value. If the Parties determine, in accordance with Section 3.3(c) of this Distribution Agreement, that the final UIS Assets Value is higher or lower than the Estimated UIS Assets Value, then the Partnership shall promptly adjust the Capital Accounts of the Partners in accordance with Section 9.1 of the Original Partnership Agreement.

6.4. Capital Contributions.

(a) Closing Date Capital Contributions. On the Store Distribution Closing Date, the Designs Partner shall make the Designs Partner Closing Contribution in accordance with Section 4.1 of this Distribution Agreement and the LOS Partner shall make the LOS Partner Closing Contribution in accordance with Section 4.2 of this Distribution Agreement.

(b) Restoration of Capital Accounts. This Section 6.4(b) shall apply after:

(i) in accordance with this Article 6, the Partnership has sold or distributed all Partnership Assets and discharged or provided for all Partnership obligations and liabilities;

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

(iii) all distributions to Partners or their designees otherwise required by Section 6.5(e) of this Distribution Agreement have been made.

If, thereafter, a Partner has a negative balance in its Capital Account, it shall contribute sufficient cash to the capital of the Partnership to eliminate that deficit. The amounts so contributed shall then be distributed as provided in Section 6.5(e) of this Distribution Agreement.

6.5 Distributions.

(a) Outlet Assets. On the Store Distribution Closing Date, the Partnership shall distribute the Outlet Assets to the Designs Partner or its designees in accordance with Article 2 of this Distribution Agreement.

(b) UIS Assets. On the Store Distribution Closing Date, the Partnership shall distribute the UIS Assets to the LOS Partner or its designees in accordance with Article 3 of this Distribution Agreement.

(c) Remaining Store Inventory. The Partnership shall distribute the Remaining Store Inventory to the Designs Partner or its designees in accordance with Section 5.4 of this Distribution Agreement.

(d) Cash Distributions Prior to Termination Date. During the period between the Store Distribution Closing Date and the Termination Date, the Partnership may distribute Surplus Cash to the Partners or their respective designees in accordance with their respective Percentage Interests. The amount and timing of any distributions of Surplus Cash prior to the Termination Date shall be determined by the Partners. The Partners may consider the projected inventory, cash and other requirements of the Partnership and any other projections they deem relevant and satisfactory in connection with any decision related to the distribution of Surplus Cash.

(e) Distributions After the Termination Date. After (A) the Liquidators have sold or otherwise disposed of all Partnership Assets and discharged or provided for all Partnership obligations and liabilities other than those Partnership Assets or liabilities that either Partner is willing to accept or assume and (B) the determinations of the final Outlet Assets Valuation and final UIS Assets Valuation, the remaining Partnership Assets (including the net proceeds of the sales of Partnership Assets) and any liabilities and obligations of the Partnership not discharged or otherwise provided for by such date shall be distributed according to these priorities:

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

(ii) then, to discharge and provide for all obligations and liabilities of the Partnership to the Partners (it being understood that a Partner may not cause an obligation or liability owed to it to be accorded the priority of Subsection 6.5(e)(i) of this Distribution Agreement by assigning that obligation or liability to an Affiliate of that Partner) and

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

For purposes of determining the amounts of any distributions under Section 6.5(e)(iii) of this Distribution Agreement, if (A) any Partnership Assets are to be distributed in kind to a Partner or its designees or (B) any liabilities or obligations of the Partnership are distributed to and assumed by a Partner or its designees, they shall be valued as provided by this Agreement or, if not so provided, by the Liquidators and the Partners' Capital Accounts shall be adjusted in accordance with Subsection 9.1 of the Original Partnership Agreement.

(f) Subsequent Adjustments. If after all the distributions described in Section 6.5 of this Distribution Agreement the Parties determine that the Partnership Assets were not distributed (or liabilities and obligations of the Partnership were not delegated and assumed) to the Partners in proportion to their respective Percentage Interests, the Parties will make such payments, refunds, contributions and/or distributions as are necessary to achieve the correct proportionate distributions.

(g) No Other Distributions. Notwithstanding any other provision of this Distribution Agreement or the Original Partnership Agreement, the Partnership shall not distribute cash or any other Partnership Assets to either Partner or their respective designees except as provided in this Section 6.5.

6.6 Timing. The Partnership shall use reasonable efforts to complete the payments, distributions and contributions described in Sections 6.4 and 6.5 of this Distribution Agreement within 45 days after the Termination Date.

6.7 Partners to Remain in Existence. Each of the Partners agrees to remain in existence for not less than two years after the Termination Date.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF THE DESIGNS PARTNER

The Designs Partner represents and warrants to the Partnership and the LOS Partner that as of the Store Distribution Closing Date:

7.1 Organization and Authority. The Designs Partner is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Designs Partner has all requisite power and authority to enter into and perform the Closing Documents. The signing, delivery and performance by the Designs Partner of the Closing Documents have been duly and validly authorized by all necessary corporate action on the part of the Designs Partner. Each Closing Document constitutes a valid and binding obligation of the Designs Partner enforceable against the Designs Partner in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by the Designs Partner of each Closing Document will not: (a) violate or conflict with any provision of the Certificate of Incorporation or By-laws of the Designs Partner; (b) violate, conflict with or result in a breach or termination of any contract or other instrument to which the Designs Partner is a party or by which any of its assets is bound; (c) result in the creation of any Lien on any assets of the Designs Partner or the Partnership; (d) violate any judgment, order, injunction, decree or award that binds the Designs Partner or any of its assets; or (e) assuming the truth and accuracy of the representation of the LOS Partner in Section 8.4 of this Distribution Agreement, constitute a violation of law.

7.2 Consents and Approvals. Schedule 7.2 to this Distribution Agreement lists all consents and approvals of, and filings and registrations with, any Person required to be obtained by the Designs Partner at or before the Store Distribution Closing Date in order for the Designs Partner to sign, deliver and perform the Closing Documents. An example is consents from the lessors of the Outlet Store Leases. Except as provided in Schedule 7.2, the Designs Partner has obtained all of those consents and approvals and made all of those filings and registrations.

7.3 Litigation and Claims. There is no suit, action, investigation or other proceeding pending or, to the best knowledge of the Designs Partner, threatened against the Designs Partner relating to any of the transactions contemplated by this Distribution Agreement.

7.4 HSR Act. The Chief Executive Officer and Chief Financial Officer of the Designs Partner, acting on authority duly delegated from its Board of Directors, has determined that the value of the assets being distributed to the Designs Partner hereunder is less than \$15 million. Value, for this purpose, means the higher of (i) the sum of the respective values of the Outlet Assets and the Remaining Store Inventory for purposes of this Distribution Agreement and (ii) the fair market value of such assets as contemplated by 16 C.F.R. '801.10 promulgated under the HSR Act.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES OF THE LOS PARTNER

The LOS Partner represents and warrants to the Partnership and the Designs Partner that as of the Store Distribution Closing Date:

8.1 Organization and Authority. The LOS Partner is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The LOS Partner has all requisite power and authority to enter into and perform the Closing Documents. The signing, delivery and performance by the LOS Partner of the Closing Documents have been duly and validly authorized by all necessary corporate action on the part of the LOS Partner. Each Closing Document constitutes a valid and binding obligation of the LOS Partner enforceable against the LOS Partner in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws that generally affect creditors and except as may be limited by general principles of equity. The signing, delivery and performance by the LOS Partner of each Closing Document will not: (a) violate or conflict with any provision of the Certificate of Incorporation or By-laws of the LOS Partner; (b) violate, conflict with or result in a breach or termination of any contract or other instrument to which the LOS Partner is a party or by which any of its assets is bound; (c) result in the creation of any Lien on any assets of the LOS Partner or the Partnership; (d) violate any judgment, order, injunction, decree or award that binds the LOS Partner or any of its assets; or (e) assuming the truth and accuracy of the representation of the Designs Partner in Section 7.4 of this Distribution Agreement, constitute a violation of law.

8.2 Consents and Approvals. Schedule 8.2 to this Distribution Agreement lists all consents and approvals of, and filings and registrations with, any Person required to be obtained by the LOS Partner at or before the Store Distribution Closing Date in order for the LOS Partner to sign, deliver and perform the Closing Documents. Except as provided in Schedule 8.2, the LOS Partner has obtained all of those consents and approvals and made all of those filings and registrations.

8.3 Litigation and Claims. There is no suit, action, investigation or other proceeding pending or, to the best knowledge of the LOS Partner, threatened against the LOS Partner relating to any of the transactions contemplated by this Distribution Agreement.

8.4 HSR Act. The management of the LOS Partner, acting on the authority duly delegated to it by the voting trust for LS&CO., has determined that the value of the assets being distributed to the LOS Partner hereunder is less than \$15 million. Value, for this purpose, means the higher of the UIS Assets Value and fair market value as contemplated by 16 C.F.R. Section 801.10 promulgated under the HSR Act.

ARTICLE 9

STORE DISTRIBUTION CLOSING

9.1 Date and Place. Subject to the terms and conditions of this Distribution Agreement, the Store Distribution Closing shall take place at the offices of Foley, Hoag & Eliot LLP, One Post Office Square, Boston, Massachusetts, U.S.A. or at such other location as may be agreed upon among the Parties on October 31, 1998 or on such other date as may be agreed upon among the Parties (the "Store Distribution Closing Date").

9.2 Closing Conditions.

(a) Conditions Precedent to Closing by Designs. The obligations of the Designs Partner under Article 2 of this Distribution Agreement are subject to satisfaction of the following conditions precedent, or the waiver of such conditions by the Designs Partner, at or before the Store Distribution Closing Date:

(i) Corporate Proceedings. All corporate, partnership and other proceedings to be taken and all waivers and consents to be obtained on or before such date in connection with the Store Distribution Closing shall have been taken or obtained and all documents incident to such transactions shall be reasonably satisfactory in form and substance to the Designs Partner and its counsel, who shall have received all such originals or certified or other copies of such documents as they may reasonably request.

(ii) Related Agreements and Documents. At or before the Store Distribution Closing Date:

(A) the Partnership, the Designs Partner and Designs shall have entered into a Transfer and Assumption Agreement relating to the Outlet Assets;

(B) Designs and LS&CO. shall have executed and delivered an amendment and restatement of the Trademark License Agreement dated as of November 15, 1996, between Designs and LS&CO., as amended (the "Outlet License Agreement"), which amendment and restatement will add the Outlet Stores to the exhibit to the Outlet License Agreement listing the stores covered by the Outlet License Agreement;

(C) Designs and the Partnership shall have executed and delivered an amendment to the Administrative Services Agreement (the "ASA Amendment");

(D) the Designs Partner, Designs, the LOS Partner, LOS Inc. and LS&CO. shall have executed and delivered an amendment to the Participation Agreement (the "Participation Agreement Amendment");

(E) Designs and the Partnership shall have executed and delivered an amendment to the Designs License Agreement;

(F) the Partnership shall have assigned to LOS the Personal Pair™ License Agreement dated May 30, 1995, and LS&CO. shall have consented to such assignment;

(G) LOS Inc. shall have surrendered to the Partnership for cancellation any original promissory notes issued to LOS Inc. pursuant to the Credit Agreement dated as of October 1, 1996 among the Partnership, Designs, LOS Inc. and Designs as agent, as amended (the "Credit Agreement");

(H) LS&Co. shall have executed and delivered the Guaranty in favor of the Designs Partner and the Affiliates of the Designs Partner; and

(I) the parties thereto shall have executed and delivered such other documents consistent with the terms hereof as the Designs Partner shall reasonably request.

(iii) Third Party Consents, Licenses and Approvals. The Designs Partner shall have obtained all of the consents, permits and approvals set forth in Schedule 7.2.

(iv) Distribution of UIS Assets. The Partnership shall be simultaneously distributing the UIS Assets to the LOS Partner in accordance with Article 3.

(v) LOS Partner Closing Contribution. The LOS Partner shall be simultaneously contributing the LOS Partner Closing Contribution to the Partnership in accordance with Section 4.2.

(b) Conditions Precedent to Closing by LOS Partner. The obligations of the LOS Partner under Articles 3 and 4 of this Distribution Agreement are subject to satisfaction of the following conditions precedent, or the waiver of such conditions by the LOS Partner, at or before the Store Distribution Closing Date:

(i) Corporate Proceedings. All corporate, partnership and other proceedings to be taken and all waivers and consents to be obtained on or before such date in connection with the Store Distribution Closing shall have been taken or obtained and all documents incident to such transactions shall be reasonably satisfactory in form and substance to the LOS Partner and its counsel, who shall have received all such originals or certified or other copies of such documents as they may reasonably request.

(ii) Related Agreements and Documents. At or before the Store Distribution Closing Date:

(A) the Partnership, the LOS Partner and LOS Inc. shall have entered into a Transfer and Assumption Agreement relating to the UIS Assets;

(B) Designs and the Partnership shall have executed and delivered the ASA Amendment;

(C) the Designs Partner, Designs, the LOS Partner, LOS Inc. and LS&CO. shall have executed and delivered the Participation Agreement Amendment;

(D) the Partnership shall have assigned to LOS the Personal Pair™ License Agreement dated May 30, 1995, and LS&CO. shall have consented to such assignment;

(E) Designs shall have surrendered to the Partnership for cancellation any original promissory notes issued to Designs pursuant to the Credit Agreement;

(F) Designs. shall have executed and delivered the Guaranty in favor of the LOS Partner and the Affiliates of the LOS Partner; and

(G) the parties thereto shall have executed and delivered such other documents consistent with the terms hereof as the LOS Partner shall reasonably request.

(iii) Third Party Consents, Licenses and Approvals. The LOS Partner shall have obtained all of the consents, permits and approvals set forth in Schedule 8.2.

(iv) Distribution of Outlet Assets. The Partnership shall be simultaneously distributing the Outlet Assets to the Designs Partner in accordance with Article 2.

(v) Designs Partner Closing Contribution. The Designs Partner shall be simultaneously contributing the Designs Partner Closing Contribution to the Partnership in accordance with Section 4.1.

ARTICLE 10

AMENDMENT OF PARTNERSHIP AGREEMENT

10.1 Amendments. The Original Partnership Agreement is hereby amended in the following respects:

(a) Principal Office. Section 2.6 of the Original Partnership Agreement is hereby amended by deleting the address "1244 Boylston Street, Chestnut Hill, Massachusetts 01267" and inserting in its place the address "66 B Street, Needham, Massachusetts 02494".

(b) Term. Section 2.7 of the Original Partnership Agreement is hereby amended by deleting the words "January 29, 2005 (the "Termination Date")" and inserting in its place the defined term "Termination Date".

(c) Approval of Certain Distributions. Section 5.9(q) of the Original Partnership Agreement is hereby amended by deleting the cross-reference to "Section 9.3 or any other provision of this Agreement" and inserting in its place the cross-reference to "Section 6.5 of the Distribution Agreement".

(d) Distributions of Excess Cash. Article 9 of the Original Partnership Agreement is hereby amended by deleting Section 9.3(a) in its entirety.

(e) Certain Allocations. Article 9 of the Original Partnership Agreement is hereby amended by deleting Section 9.4(b) in its entirety.

(f) Articles Relating to Purchases, Sales and Dissolution. The Original Partnership Agreement is hereby amended by deleting Articles 10 through 17 in their entirety and inserting in their place Articles 2 through 9 of this Distribution Agreement.

(g) Certain Consequences of Transactions. Article 18 of the Original Partnership Agreement is hereby amended by deleting the cross-reference to "Articles 12 through 17 of this Agreement" from each sentence in which it appears and inserting in each such place the cross-reference to "Articles 2 through 9 of the Distribution Agreement".

(h) Impact on Status of Partnership. Article 18 of the Original Partnership Agreement is hereby amended by deleting Section 18.4 in its entirety.

(i) Intellectual Property. Article 18 of the Original Partnership Agreement is hereby amended by deleting Section 18.6 in its entirety. Consequently, the matters addressed in Section 18.6 of the Original Partnership Agreement shall be governed by any other applicable agreements, policies and laws in effect as of the date of this Agreement.

(j) Title. Section 18.8 of the Original Partnership Agreement is hereby amended by deleting the cross-reference to "Article 13, 14, 15, 16 or 17" and inserting in its place the cross-reference to "Articles 2 and 3 of the Distribution Agreement".

(k) Expenses. Section 18.9 of the Original Partnership Agreement is hereby amended by deleting all of the text after the heading and inserting the following text in its place:

Except for expenses associated with the transfer or termination of leases and other matters of mutual interest that the Partnership will bear, and subject to Section 5.7, each of the Partners agrees to pay its own legal, accounting, investment banking, regulatory filing, consulting and other expenses in connection with the transactions contemplated by this Distribution Agreement, any further transactions or matters pursuant hereto, or in connection herewith except to the extent the indemnification provisions of this Distribution Agreement may otherwise require.

(l) Assumptions. Article 18 of the Original Partnership Agreement is hereby amended by deleting Section 18.10 in its entirety.

(m) Indemnification. Section 18.11 of the Original Partnership Agreement is hereby amended by deleting Sections 18.11(a) and (b) in their entirety.

(n) Special Netting Rules. Article 18 of the Original Partnership Agreement is hereby amended by deleting Section 18.12 in its entirety.

(o) Other Indemnifications.

(i) Breach; Gross Negligence. Section 19.2 of the Original Partnership Agreement is hereby amended by deleting the clause "Subject to the principles set forth in Section 16.6 of this Agreement," and capitalizing the first letter of the word "each" that appears immediately after such clause.

(ii) Certain Liabilities. Article 19 of the Original Partnership Agreement is hereby amended by inserting the following section immediately after Section 19.3:

19.4 Indemnification as to Certain Liabilities.

(a) By the Designs Partner. The Designs Partner agrees to indemnify the LOS Partner and the LOS Partner's Affiliates and hold them harmless from and against (i) all Damages relating to any obligation or liability of the Partnership assigned to and assumed by the Designs Partner or its designees and (ii) 70 percent of all Damages incurred by the LOS Partner or the LOS Partner's Affiliates and related to any obligation or liability of the Partnership not assigned to or assumed by either Partner (an "Unassigned Partnership Liability"). If the LOS Partner or any Affiliate of the LOS Partner reasonably anticipates that it may incur Damages in excess of its 30 percent share of an Unassigned Partnership Liability, it may notify the Designs Partner and the Designs Partner will thereupon be required to pay its 70 percent share of such liability to the LOS Partner, or the LOS Partner's Affiliate as the case may be, without requiring the LOS Partner, or the LOS Partner's Affiliate as the case may be, to first pay its 30 percent share.

(b) By the LOS Partner. The LOS Partner agrees to indemnify the Designs Partner and the Designs Partner's Affiliates and hold them harmless from and against (i) all Damages relating to any obligation or liability of the Partnership assigned to and assumed by the LOS Partner or its designees and (ii) 30 percent of all Damages incurred by the Designs Partner or the Designs Partner's Affiliates and related to any Unassigned Partnership Liability. If the Designs Partner or any Affiliate of the Designs Partner reasonably anticipates that it may incur Damages in excess of its 70 percent share of an Unassigned Partnership Liability, it may notify the LOS Partner and the LOS Partner will thereupon be required to pay its 30 percent share of such liability to the Designs Partner, or the Designs Partner's Affiliate as the case may be, without requiring the Designs Partner, or the Designs Partner's Affiliate as the case may be, to first pay its 70 percent share.

(c) Special Netting Rules. Notwithstanding any other provision of Article 19 of the Original Partnership Agreement, as amended, any amount due from one Partner to the other Partner pursuant to such Article may be offset against amounts due from such other Partner.

(p) Notices. Section 21.3 of the Original Partnership Agreement is hereby amended by deleting the address "1244 Boylston Street, Chestnut Hill, Massachusetts 02167" from each place that it appears and inserting in each such place the address "66 B Street, Needham, Massachusetts 02494". Section 21.3 of the Original Partnership Agreement is hereby further amended by deleting the facsimile number "(617) 734-3406" from each place that it appears and inserting in each such place the facsimile number "(781) 449-8666".

(q) Expenses. Section 21.8 of the Original Partnership Agreement is hereby amended by inserting "(i)" after the word "drafting" and inserting the following at the end of the sentence:

and (ii) the Distribution Agreement and the other Closing Documents and in effecting the Store Distribution Closing.

10.2 Effect on Original Partnership Agreement. As amended and modified hereby, the Original Partnership Agreement shall remain in full force and effect in accordance with its terms. However, any conflict between any provision of this Distribution Agreement and any provision of the Original Partnership Agreement shall be resolved in favor of the provision of this Distribution Agreement.

ARTICLE 11

AMENDMENTS TO AND TERMINATION OF OTHER TRANSACTION DOCUMENTS

11.1 Glossary.

(a) Deleted Definitions. The Glossary is hereby amended by deleting the following definitions therefrom: Bankruptcy Event, CD, Designated Value, Designs Transferor, Excess Cash, Fundamental Change, Liquidator, Minimum Value, OLS Opportunity, Outlet Opportunity, Outlet Value, Party, Parties, Profitable OLSs, Purchasing Partner, Qualified Transferee, Reputation Event, Selling Partner, Subject Property, Termination Date, Transfer, Transferee, Trigger Notice and Unauthorized Termination.

(b) Additional Definitions. The Glossary is hereby amended by inserting therein the definitions of Section 1.2 of this Distribution Agreement in alphabetical order. For the purpose of clarification, the definition of "Termination Date" in Section 1.2 of this Distribution Agreement is replacing the definition of "Termination Date" that appeared in the Glossary executed on January 28, 1995.

11.2 The LOS Sublicense Agreement. The LOS Partner hereby agrees that the LOS Sublicense Agreement shall remain in full force and effect until all of the Remaining Stores are closed and shall then terminate without the necessity for any Party to sign any further documents or take any further action.

ARTICLE 12

MISCELLANEOUS

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

12.2 Cooperation. Unless otherwise specified in this Agreement, each Partner agrees to implement all the procedures and complete all the transactions required or permitted to be implemented and completed under this Distribution Agreement. That shall include signing and delivering all documents, obtaining all consents from and making all filings with private and governmental third parties, and taking all other actions, both before and after a transaction closes, which are reasonably requested by the other Partner to effect or better memorialize the transaction or the various "transitions" connected with that transaction. Examples are recording memoranda of leases (or, if appropriate at the time, real estate deeds), obtaining consents from landlords, and cooperating to enforce third party warranties transferred by the Partnership to the Partners or their respective designees.

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

* * * * *

IN WITNESS WHEREOF, the Parties have entered into this Amendment and Distribution Agreement as of the date first written above.

DESIGNS JV CORP.

By /s/ Joel H. Reichman
Joel H. Reichman
President

LDJV INC.

By /s/ Marion White
Marion White
Vice President

THE DESIGNS/OLS PARTNERSHIP

By Designs JV Corp., a Partner

Joel H. Reichman
Joel H. Reichman
President

By LDJV Inc., a Partner

Marion White
Marion White
Vice President

GUARANTY
(Designs, Inc.)

This Guaranty dated this 31st day of October, 1998 is made by Designs, Inc., a Delaware corporation (the "Guarantor"), in favor of LDJV Inc., a Delaware corporation (the "LOS Partner") and the Affiliates (as defined in the Glossary referenced below) of the LOS Partner.

WHEREAS, the Guarantor owns all of the capital stock of Designs JV Corp. (the "Designs Partner");

WHEREAS, the Designs Partner and the LOS Partner (collectively, the "Partners") formed The Designs/OLS Partnership (the "Partnership") pursuant to a Partnership Agreement dated as of January 28, 1995 (the "Original Partnership Agreement") to own and operate retail stores in a specified territory;

WHEREAS, the Partners propose to enter into an Amendment and Distribution Agreement dated as of the date of this Guaranty (the "Distribution Agreement") which will amend the Original Partnership Agreement and provide for, among other things, the distribution of certain partnership assets and liabilities to the Partners and the termination, dissolution and winding up of the Partnership;

WHEREAS, the Original Partnership Agreement, as amended by the Distribution Agreement, contains certain obligations of the Designs Partner to the LOS Partner and the LOS Partner's Affiliates that will survive the dissolution of the Partnership, including an obligation by the Designs Partner to indemnify the LOS Partner and the LOS Partner's Affiliates and hold them harmless from and against certain liabilities; and

WHEREAS, the Guarantor wishes to execute this Guaranty and deliver it to the LOS Partner in order to induce the LOS Partner to enter into the Distribution Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Guarantor agrees as follows:

1. Definitions. Capitalized terms used, but not otherwise defined, in this Guaranty shall have the meanings given them in the Glossary which was executed simultaneously with the Original Partnership Agreement, as such Glossary is being amended by the Distribution Agreement.

2. Unconditional Guarantee. The Guarantor hereby irrevocably and unconditionally guarantees the payment and performance of all Guaranteed Obligations when due. As used herein, the term "Guaranteed Obligations" means any and all liabilities, debts and obligations of the Designs Partner to the LOS Partner and the LOS Partner's Affiliates, including, without limitation, the indemnification obligations set forth in Article 19 of the Original Partnership Agreement, as amended by Section 10.1(o) of the Distribution Agreement.

3. Primary Obligation of Guarantor. The obligations of the Guarantor are primary, with no recourse necessary by the LOS Partner or any Affiliate of the LOS Partner against the Designs Partner or any collateral that may be given to secure the Guaranteed Obligations prior to proceeding against the Guarantor.

4. Waiver of Acceptance, Etc. To the fullest extent permitted by law, the Guarantor hereby waives diligence, presentment, protest, notice of dishonor, demand for payment, extension of time of payment, notice of acceptance of this Guaranty, nonpayment at maturity and all other notices and demands of any other kind and all other suretyship defenses. The Guarantor consents to all forbearances, indulgences and extensions of the time of payment or performance of the Guaranteed Obligations, to all changes in the terms thereof hereafter made and to all substitutions for, and exchanges and releases of, all or any part of any collateral therefor and agrees that the obligations hereunder shall not be impaired, modified or released or limited thereby; it being the intention hereof that the Guarantor shall remain liable until the Guaranteed Obligations have been fully paid and the terms, covenants and conditions thereof have been fully performed and observed by the Designs Partner, notwithstanding any act, omission or thing which might otherwise operate as a legal or equitable discharge of the Guarantor or the Designs Partner. The Guarantor hereby agrees that no invalidity, lack of genuineness, lack of authority or unenforceability of any document or agreement or any part thereof shall affect or impair its liability under this Guaranty. The obligations of the Guarantor hereunder shall not be affected by any fraudulent, illegal, or improper act by the Designs Partner, nor by any release, discharge, or invalidation, by operation of law (including the Federal Bankruptcy Code) or otherwise, of any of the Guaranteed Obligations.

5. Reliance. The Guarantor acknowledges that the LOS Partner is relying on this Guaranty in entering into the Distribution Agreement.

6. Termination of Guaranty. This Guaranty shall continue to be effective until the earlier of: (a) such time as the Guaranteed Obligations have been paid in full and the terms, covenants and conditions thereof have been fully performed and observed by the Designs Partner; or (b) the delivery of written notice of termination dated and signed by a duly authorized officer of the LOS Partner, which notice of termination includes specific reference to this provision. Notwithstanding the expiration or earlier termination of this Guaranty, the Guarantor shall remain liable after the time of such expiration or termination for all Guaranteed Obligations, accrued or contingent, outstanding at such time.

7. Costs. In addition to its obligations under Section 1 above, the Guarantor agrees to pay all costs and expenses reasonably incurred by the LOS Partner or any Affiliate of the LOS Partner in the enforcement or collection of any of the Guaranteed Obligations, including reasonable attorneys' fees.

8. No Third Party Beneficiaries. This Guaranty is intended solely for the benefit of the LOS Partner and its Affiliates. Nothing in this Guaranty shall be construed to create any duty to, standard of care with reference to, any liability to, or any right of suit or action in, any person other than the LOS Partner and its Affiliates.

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

10. Entire Agreement; Amendment. This Guaranty sets forth the entire agreement and understanding among the Guarantor, the LOS Partner and the Affiliates of the LOS Partner concerning the guaranty provided by the Guarantor hereby to the LOS Partner and its Affiliates, and supersedes all prior agreements, understandings, discussions and negotiations among the Guarantor, the LOS Partner and the Affiliates of the LOS Partner concerning the subject matter of this Guaranty. No such prior agreements, understandings, discussions or negotiations shall limit, modify, or otherwise affect the provisions hereof. No provision hereof may be altered, amended, waived, cancelled or modified, except by a written instrument executed, sealed, and acknowledged by a duly authorized officer of the LOS Partner.

11. Binding Effect. This instrument shall inure to the benefit of the LOS Partner and its Affiliates, and their respective successors and assigns, shall be binding upon the successors and assigns of the Guarantor, and shall apply to all liabilities of the Designs Partner and any successor to or affiliate of the Designs Partner by operation of law.

12. Severability. Any determination that any provision hereof is invalid, illegal, or unenforceable in any respect in any instance shall not affect the validity, legality, or enforceability of such provision in any other instance and shall not affect the validity, legality, or enforceability of any provision contained herein. It is the intention of the Guarantor that the provisions of the within Guaranty be liberally construed to the end that the LOS Partner and its Affiliates may be put in as good a position as if the Designs Partner had promptly, punctually, and faithfully performed all Guaranteed Obligations and the Guarantor had promptly, punctually, and faithfully performed hereunder.

13. Waiver; Remedies. No failure or delay on the part of the LOS Partner or any Affiliate of the LOS Partner in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly specified are cumulative and not exclusive of any rights or remedies which the LOS Partner or any Affiliate of the LOS Partner would otherwise have.

* * * * *

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the date first written above.

DESIGNS, INC.

By /s/ Joel H. Reichman

Joel H. Reichman
President

AMENDED AND RESTATED
TRADEMARK LICENSE AGREEMENT

THIS IS AN AMENDED AND RESTATED TRADEMARK LICENSE AGREEMENT made as of this 31st day of October, 1998 (the "Agreement") by and between LEVI STRAUSS & CO., a Delaware corporation, with its principal office at Levi's Plaza, 1155 Battery Street, San Francisco, California 94111 (the "LICENSOR") and DESIGNS, INC., a Delaware corporation, with its principal office at 66 B Street, Needham, Massachusetts 02494 (the "LICENSEE").

WHEREAS, LICENSOR has, since 1850, been a major producer of apparel and related products in the United States and elsewhere and owns certain valuable trademarks in the United States; and

WHEREAS, LICENSEE is the owner of certain retail outlet stores operating under the "Levi's Outlet by Designs" and "Dockers Outlet by Designs" names through which it sells exclusively closeouts, seconds and irregular apparel and related products which have been manufactured by LICENSOR or by third parties under license from and/or on behalf of LICENSOR; and

WHEREAS, LICENSEE has been selling such products in such stores subject to a Trademark License Agreement, dated November 15, 1996, which agreement has been amended by a First Amendment to Trademark License Agreement dated September 30, 1998 (as amended, the "1996 Agreement"); and

WHEREAS, LICENSEE on September 30, 1998 acquired from a subsidiary of LICENSOR 16 "Dockers Outlet" outlet stores selling predominantly Dockers(R) products and nine "Levi's Outlet" outlet stores selling predominantly Levi's(R) products (collectively, the "Acquired Stores");

WHEREAS, LICENSEE on October 31, 1998 acquired by distribution from a partnership owned by subsidiaries of LICENSEE and LICENSOR eleven "Levi's Outlet" stores selling predominantly Levi's(R) products (collectively, the "JV Stores");

WHEREAS, the parties now wish to amend and restate the 1996 Agreement to reflect the acquisition of the Acquired Stores and the JV Stores and certain other matters, and to set forth their written agreement on the terms of the license for all of LICENSEE'S existing and future outlet stores operating under the "Levi's Outlet by Designs" name and the "Dockers Outlet by Designs" name;

NOW, THEREFORE, for good and valuable consideration, including without limitation the mutual promises set forth below, the parties agree as follows:

1. Grant of License

(a) LICENSOR grants to LICENSEE, subject to Section 1(i) of this Agreement, an exclusive, royalty-free license to use the Levi's(R) "Housemark" trademark in the form shown in Exhibit A, which has been registered in the United States Patent and Trademark Office having Registration Numbers 849437; 1122468; 1041846 and 1155926, respectively, and any other form of such trademarks or other trademarks later specified by LICENSOR, and any subsequent registrations thereof (the "L LICENSED MARKS"), in combination with "Outlet by DESIGNS" as shown in Exhibit B within the territory described in Exhibit C (the "TERRITORY"), in connection with the sale of closeouts, seconds, first quality end-of-season transfers from LICENSEE'S other stores and, before their closure, from Designs/OLS Partnership stores, and irregulars of apparel and related products manufactured by LICENSOR or by third parties under license from and/or on behalf of LICENSOR (the "PRODUCTS") on exterior signage, interior signage, shopping bags, stationery, receipts and PRODUCT tags, in retail outlets which have been individually pre-approved by LICENSOR as listed in Exhibit E (the "L STORES"), and which are devoted exclusively to the sale of such PRODUCTS as contemplated by Sections 2(c) and 3(b).

(b) LICENSOR grants to LICENSEE, subject to Section 1(i) of this Agreement, an exclusive, royalty-free license to use Dockers(R) trademarks including the wordmark registered in the United States Patent and Trademark Office having Registration Numbers 1435757, 1485361 and 1591926, respectively, in the form shown in Exhibit A and any other form of such trademarks or other trademarks later specified by LICENSOR and any subsequent registrations thereof (the "D LICENSED MARKS") in combination with "Outlet by

Designs" as shown in Exhibit B within the Territory, in connection with the sale of PRODUCTS on exterior signage, interior signage, shopping bags, stationery, receipts and PRODUCT tags in retail outlets which have been individually pre-approved by LICENSOR as listed in Exhibit E (the "D STORES") and which are devoted exclusively to the sale of PRODUCTS as contemplated by Sections 2(c) and 3(b).

(c) In addition to the other rights granted in this Agreement, with respect to the Acquired Stores only, LICENSEE shall have the right to maintain the use of those of LICENSOR'S marks and logos being used in the Acquired Stores at the time of LICENSEE'S acquisition of the Acquired Stores in the manner, to the extent and for the purposes they were then so used. Unless otherwise specified by LICENSOR in accordance with, and after the date of, this Agreement, such uses shall be deemed to be in compliance with LICENSOR'S trademark use policies, it being understood that LICENSOR and LICENSEE shall cooperate in rectifying, at LICENSOR'S expense, any uses so specified by LICENSOR.

(d) The L STORES and the D STORES are referred to collectively in this Agreement as the "STORES." The L LICENSED MARKS and the D LICENSED MARKS are referred to collectively in this Agreement as the "LICENSED MARKS." The combination forms of the LICENSED MARKS and mark "OUTLET BY DESIGNS," including those shown in Exhibit B, are collectively referred to as the "COMBINATION MARKS." Although the trademark and name "OUTLET BY DESIGNS" is incorporated into the permitted combination forms, and must appear in any usage of the COMBINATION MARKS by LICENSEE, LICENSOR neither claims nor shall obtain any rights with respect to such trademark and name.

(e) LICENSEE may delete a retail outlet from Exhibit E by notice to LICENSOR. Except as provided in Section 9: (i) Exhibit E shall be amended to add a retail outlet only by written agreement of the parties and (ii) the licenses described in Sections 1(a) and 1(b) are limited to the STORES operating at the locations set forth in Exhibit E and are not transferable to any other store without LICENSOR'S prior written consent.

(f) This Agreement does not grant LICENSEE any rights in any other trademarks, trade names or other proprietary rights of LICENSOR. Nothing in this Agreement, however, limits any rights of LICENSEE, including rights granted under such other agreements or licenses as may exist from time to time, to use the LICENSED MARKS standing alone, or other appropriate trademarks of LICENSOR, in the same fashion as permitted for use by other retailers authorized by LICENSOR in conjunction with the promotion of LICENSOR'S products, which use is consistent with LICENSOR'S policies and guidelines.

(g) The combination forms of the LICENSED MARKS and LICENSEE'S tradename and mark "OUTLET BY DESIGNS" shown in Exhibit B are collectively referred to as the "COMBINATION MARKS." Although the tradename and mark "OUTLET BY DESIGNS" is incorporated in the permitted combination forms, and must appear in any usage of the COMBINATION MARKS by LICENSEE, LICENSOR neither claims nor shall obtain any rights with respect to such terms.

(h) The licenses granted herein constitute both a right and an obligation to use the COMBINATION MARKS only in the manner specified in conjunction with the sale of the PRODUCTS through the STORES.

(i) LICENSOR reserves the right to use the LICENSED MARKS with or without the word "Outlet" in connection with retail stores operated by LICENSOR or any wholly-owned affiliate of LICENSOR within the TERRITORY during the term of this Agreement.

2. Use of COMBINATION MARKS. LICENSEE shall use the COMBINATION MARKS as follows:

(a) LICENSEE shall prominently display the COMBINATION MARKS in one of the formats attached hereto as Exhibit B, and only in such format, when referring to the STORES, including on exterior STORE signage, interior STORE signage, stationery, receipts and PRODUCT tags. The COMBINATION MARKS shall be used in conformance with LICENSOR'S written policies and guidelines. In the event that LICENSEE'S lease restrictions or other factors require LICENSEE'S use of the COMBINATION MARKS in this Agreement in a manner at variance with the formats shown on Exhibit B or the license granted in this Agreement, LICENSEE shall obtain LICENSOR'S prior written consent to any such variance. All existing signage in stores operated by LICENSEE and previously approved by LICENSOR under the 1991 Agreement or 1996 Agreement is deemed to conform to LICENSOR'S policies and guidelines as of the date of this Agreement.

(b) Notwithstanding Sections 1 and 2 of this Agreement, with respect to the Acquired Stores located in Destin, Florida, LICENSEE may operate those stores as, and on exterior signage identify the appropriate Acquired Store as, a "Levi's Outlet" (and not as a "Levi's Outlet by

Designs"), and as a "Dockers Outlet" (and not as a "Dockers Outlet by Designs"), for so long as such is required under the lease relating to that Acquired Store. LICENSEE shall in each such STORE use the COMBINATION MARKS on interior STORE signage, stationery, receipts, shopping bags, PRODUCT tags and other uses as required of it in respect of the other L STORES and D STORES, as appropriate, and otherwise take appropriate actions, including those described in Section 5 of this Agreement and as otherwise reasonably requested by LICENSOR, to make clear LICENSEE'S ownership and operation of the store to consumers, vendors and others who enter, transact with or otherwise interact with that store and its employees, it being understood that LICENSEE may use up existing stocks of such items located at the Acquired Stores at the time of their acquisition. LICENSEE shall use reasonable efforts to obtain a change in the lease restriction as promptly as possible and in any case as part of a lease amendment or renewal process.

(c) LICENSEE shall sell PRODUCTS and no other products in the STORES. It is understood that, except as provided in Section 9(c), without LICENSOR'S prior written consent, in the STORES identified in Exhibit E under the heading "Dockers Outlet by Designs (1998)," LICENSEE shall sell only PRODUCTS bearing the Dockers(R) and Slates(R) trademarks, and that in the STORES identified in Exhibit E under the heading "Levi's Outlet by Designs (1998)," LICENSEE shall sell only PRODUCTS bearing the Levi's(R) trademarks.

(d) Subject to Section 1(f), LICENSEE shall not advertise the existence of STORES or their business except that LICENSEE may advertise on billboards designed to promote all retail outlet establishments within the mall in which the STORES are located, which billboards shall be located within five (5) miles of any such mall and shall advertise at least one other brand as well as the COMBINATION MARKS. LICENSEE shall also be permitted to advertise the STORES using flyers and in local newspapers.

3. Exclusivity

(a) Subject to Section 1(i), LICENSOR shall not grant licenses to third parties to use the LICENSED MARKS to operate stores under the name "Levi's Outlet," "Dockers Outlet," "Levi's Outlet by _____," or "Dockers Outlet by _____," or otherwise to incorporate LICENSED MARKS in store name signage or the store name, in connection with the sale of the PRODUCTS in the TERRITORY, it being understood that LICENSOR sells PRODUCTS to other accounts and that those other accounts are entitled to use the LICENSED MARKS in conjunction with point-of-sale promotion and display of LICENSOR'S products at their stores, which use by others and LICENSEE is contemplated by Section 1(f).

(b) The licenses granted under this Agreement require LICENSEE to operate the STORES exclusively as outlets for the PRODUCTS. LICENSEE is expressly prohibited from using the COMBINATION MARKS (i) in stores which offer products from manufacturers other than or in addition to LICENSOR or LICENSOR'S authorized manufacturer and (ii) in stores not devoted exclusively to selling the PRODUCTS. No COMBINATION MARKS may be used hereunder in conjunction with the sale of first quality or in-season goods, except as otherwise permitted under Section 1.

4. Modifications of COMBINATION MARKS. LICENSEE understands and agrees that the prior written approval of the LICENSOR is required if LICENSEE proposes to change in any respect the formats shown in Exhibit B or previously approved by LICENSOR, or any materials authorized under Section 2; LICENSEE agrees not to use any altered version of such signage or materials without LICENSOR'S prior written approval. Any violation of this Section 4 shall be deemed to constitute a material breach and default of this Agreement, subject to the provisions of Section 9(c).

5. Point of Sale Notification. LICENSEE shall prominently display a notice, reasonably satisfactory to LICENSOR, in the interior of each STORE at all points of sale, which clearly and conspicuously: (i) notifies customers about the kinds of PRODUCTS sold (i.e., closeouts, seconds and irregulars manufactured exclusively by or on behalf of LICENSOR); (ii) defines the terms "closeout", "seconds" and "irregulars" so that customers understand the quality of the merchandise offered for sale; and (iii) gives the identity of the company leasing and operating the STORE (i.e., LICENSEE, not LICENSOR) and the fact that LICENSEE, not LICENSOR, assumes all liabilities associated with the PRODUCTS and services offered by the STORE, except for liabilities based on damage or injury caused by the PRODUCTS, taking into account the fact that such PRODUCTS are closeouts, seconds, irregular apparel and related products. The current notices used by LICENSEE (to be updated as reasonably requested by LICENSOR in the future) are attached as Exhibit D. All merchandise offered for sale in the STORES shall be appropriately labeled as closeouts, seconds or irregulars, respectively.

6. Other Point of Sale Material. LICENSOR may provide LICENSEE with additional point of sale displays bearing the COMBINATION MARKS. LICENSEE may also display its own point of sale materials bearing the

COMBINATION MARKS, provided that such materials conform to LICENSOR'S guidelines for displaying such materials or, if LICENSEE has not been provided with such guidelines, then subject to LICENSOR'S prior written approval and quality control over the display and use of such materials, which approval shall not be unreasonably withheld or delayed.

7. Right of Inspection. LICENSOR shall have the right during regular business hours, at its own expense, to inspect any LICENSEE facility where the COMBINATION MARKS are displayed for the purpose of enabling LICENSOR to determine whether LICENSEE is adhering to the requirements of this Agreement.

8. Authorized Outlets. The STORES and their related lease expiration dates (assuming exercise of all renewal options) are identified on Exhibit E. Subject to Section 9, upon request by LICENSEE during the term of this Agreement, additional STORES may be approved by LICENSOR on a case-by-case basis in LICENSOR'S sole discretion. Such approval shall be in writing and the additional STORES shall be added to this Agreement only by amending Exhibit E.

9. STORE Upgrades

(a) Between the date of this Agreement and December 31, 2003, LICENSEE will complete a remodel and refurbishment (a "Remodel") of each STORE identified on Exhibit E under the caption "Levi's Outlet by Designs (1996)" at a time of LICENSEE'S choosing but on a schedule such that twelve of such STORES are remodeled in each of 1999, 2000, 2001 and 2002 and eleven of such STORES are remodeled in 2003. Before the commencement of each such year, LICENSEE shall identify to LICENSOR the STORES to be remodeled in such year. The year in which a STORE is to be so Remodeled is hereinafter referred to as the "Remodel Year" of such STORE.

(b) In lieu of completing a Remodel of any STORE or any Second Remodel (as defined below) of any STORE, LICENSEE may close such STORE and substitute therefor a new STORE at a different location in the TERRITORY selling the PRODUCTS with a visual appearance substantially similar to the Remodel appearance described in Section 9(c) for the first Remodel or an appropriate Second Remodel as described below. Upon such substitution, such substituted STORE shall be deemed a STORE under this Agreement, and LICENSEE will provide to LICENSOR an appropriately updated version of Exhibit E to this Agreement identifying such substituted STORE with a license term equivalent to the license term of the STORE it replaced as if such STORE had been remodeled. Each such substituted STORE is referred to as a "Substituted STORE."

(c) LICENSEE will ensure that each Remodel and each Substituted STORE immediately after its substitution will be substantially similar in visual appearance to the interior of the Acquired STORES, it being understood that: (i) LICENSEE may bring new design approaches forward for LICENSOR'S review and approval (not to be unreasonably withheld) and (ii) Remodels and Substituted STORES may not be two separate STORES but may visually segment the Levi's(R), Dockers(R) and Slates(R) brands within each STORE.

(d) The license term for each Remodeled STORE will be the longer of: (a) ten years from the date either (i) a Remodel is completed or (ii) the Substituted STORE is completed or (b) a period ending on the date of the original lease expiration date for that STORE as listed on Exhibit E, with the extensions made in accordance with this Agreement. If LICENSEE fails to complete satisfactorily a Remodel (or a completion by substitution of a Substituted STORE) by December 31 of the appropriate Remodel Year, LICENSEE shall have an additional twelve months to complete satisfactorily such Remodel. If such Remodel is not completed by the end of such twelve month period, LICENSOR, at its option on sixty (60) days written notice to LICENSEE, may unilaterally terminate the license for that STORE.

(e) Not later than a date five years after completion of the first Remodel (the "Notice Date") for a particular Remodeled STORE or the completion of a Substituted STORE, LICENSEE may agree by means of a written notice (the "Second Remodel Notice") to complete a remodel and refurbishment of such STORE (a "Second Remodel") within twelve (12) months after the Notice Date and in that notice propose and describe upgrades and changes reasonably satisfactory to LICENSOR, LICENSOR to so advise LICENSEE within 30 days of receipt of the notice. If LICENSEE fails to complete satisfactorily a Second Remodel (including a completion by substitution of a Substituted STORE) twelve (12) months after its delivery of the Second Remodel Notice, LICENSEE shall have an additional twelve months to complete satisfactorily such Second Remodel. If such Second Remodel is not completed by the end of such twelve month period, then LICENSOR, at its option on sixty (60) days written notice to LICENSEE, may unilaterally terminate the license for that STORE.

10. Term and Termination

(a) The term of this Agreement shall commence upon

execution by both parties and shall expire on the later to occur of (i) September 30, 2004 or (ii) the earliest date on which licenses for all the STORES have expired ("the EXPIRATION DATE") provided that the license for any STORE (i) shall be for a period co-terminous with the lease term (including options) set forth in Exhibit E, unless otherwise expressly stated in Exhibit E, and shall terminate upon expiration of such lease term, and (ii) shall be extended should LICENSEE complete a Remodel or a Second Remodel as contemplated by Section 9. If either party wishes to renew this Agreement then such party shall give notice to the other party not less than 180 (one hundred eighty) days before the EXPIRATION DATE and the parties shall meet within 90 (ninety) days after the date of that notice to discuss renewal. Nothing in this Agreement shall oblige either party to renew this Agreement on any terms.

(b) If at any time LICENSOR or LICENSEE shall: (i) become bankrupt; (ii) take advantage of any state or federal insolvency law; (iii) liquidate its business; (iv) cease to function as a going concern; (v) fail to pay its debts as they come due; or (vi) make any assignment for the benefit of creditors, the other party, as the case may be, shall have the right to terminate this Agreement forthwith.

(c) If either party shall cause or permit any material breach or default of this Agreement, the other party shall have the right to terminate this Agreement by written notice to the party causing or permitting the breach or default, and the termination shall be effective one hundred and twenty (120) days after the giving of such notice, unless prior thereto the party receiving such notice cures such breach or default. The rights and remedies provided in this Section 10 shall not be exhaustive and are in addition to any other rights and remedies provided by law.

(d) Except with respect to a failure to Remodel or Second Remodel, the consequences of which failure are provided for in Sections 9(d) and 9(e), respectively, any material breach or default committed by LICENSEE with respect to any STORE shall be deemed a material breach or default giving rise to LICENSOR'S right to terminate the Agreement with respect to all STORES, subject to the opportunity to cure such breach under Section 10(c).

(e) Upon termination of this Agreement for any reason, LICENSEE shall immediately cease and thereafter refrain from all use of the LICENSED MARKS and shall remove or dispose of all STORE signage and other materials utilizing the LICENSED MARKS.

(f) Upon termination of the licenses granted under this Agreement with respect to any STORE, LICENSEE shall cease and thereafter refrain from using the LICENSED MARKS with respect to such STORE and shall remove or dispose of all retail outlet store signage for such STORE utilizing the LICENSED MARKS.

11. Fictitious Names. If LICENSEE is required to file a statement of fictitious name in a state where it is using the COMBINATION MARKS on signage on its STORES, LICENSEE shall promptly so inform LICENSOR in writing.

12. LICENSEE'S Representations and Warranties

(a) LICENSEE will affirmatively and conspicuously display in all its STORES the representation that LICENSEE, not LICENSOR, owns and operates the STORES and that the relationship between LICENSOR and LICENSEE is that of a manufacturer and an independent retailer of the PRODUCTS.

(b) LICENSEE represents and warrants that its promotion and sale of the PRODUCTS in the STORES and its performance of this Agreement will be in full compliance with fair business practices and all applicable laws and regulations of the TERRITORY and the United States.

13. LICENSEE'S Indemnification

(a) LICENSEE agrees to defend, indemnify and hold LICENSOR harmless against any damages, liabilities and expenses LICENSOR may suffer, including reasonable attorneys' fees and costs of suit, arising from any breach of any agreement, representation or warranty given herein or from LICENSEE'S business activities, including, without limitation, from claims based on personal injury and property damage occurring within or around the STORES and unauthorized activities with regard to LICENSEE'S use of the COMBINATION MARKS. The foregoing notwithstanding, LICENSEE'S indemnification does not extend to liabilities based upon the quality, safety or other properties of the PRODUCTS, taking into account the fact that such PRODUCTS are closeouts, seconds, irregular apparel and related products, or upon a claim of trademark infringement where such infringement arises out of LICENSEE'S use of the COMBINATION MARKS or LICENSED MARKS as permitted under this Agreement.

(b) LICENSEE'S obligation to indemnify shall not be effective unless LICENSOR gives LICENSEE prompt notice of any claim which might trigger such obligation and affords LICENSEE the opportunity to assume the defense thereof. LICENSEE'S obligation to indemnify shall not be effective in the event that LICENSOR settles such claim without first obtaining LICENSEE'S consent thereto.

14. LICENSOR'S Representations and Warranties

(a) LICENSOR represents and warrants: (i) subject only to Section 1(g) and to other license agreements with third parties, that it owns all right, title and interest in and to the LICENSED MARKS and (ii) that it has the full power and authority to grant LICENSEE the rights and licenses granted under this Agreement.

(b) LICENSOR represents and warrants that its performance of this Agreement will be in full compliance with all applicable laws and regulations of the TERRITORY and the United States.

15. LICENSOR'S Indemnification

(a) LICENSOR agrees to defend, indemnify and hold LICENSEE harmless against any damages, liabilities and expenses LICENSEE may suffer, including reasonable attorneys' fees and costs of suit, arising from a claim that the LICENSED MARKS used apart from or incorporated in the COMBINATION MARKS infringe the trademark rights of a third party within the TERRITORY, except to the extent such claim results directly or indirectly, in whole or in part, from some unauthorized action or activity by LICENSEE with respect to the LICENSED MARKS that is not authorized by LICENSOR.

(b) LICENSOR'S obligation to indemnify shall not be effective unless LICENSEE gives LICENSOR prompt notice of any claim which might trigger such obligation and affords LICENSOR the opportunity to assume the defense thereof. LICENSOR'S obligation to indemnify shall not be effective in the event that LICENSEE settles such claim without first obtaining LICENSOR'S consent thereto.

16. Rights in LICENSED MARKS. LICENSEE recognizes that there is great value to LICENSOR in the LICENSED MARKS and the goodwill associated therewith. LICENSEE agrees that nothing contained in this Agreement or in any prior agreement or in any prior conduct of LICENSOR or LICENSEE gives LICENSEE any interest or property rights in the LICENSED MARKS or in any other mark or trade name of LICENSOR except the right to use the LICENSED MARKS as specifically set forth in this Agreement or such a prior agreement during the term thereof. LICENSEE agrees that all uses by LICENSEE of the LICENSED MARKS shall inure to the benefit of LICENSOR. Except for the rights expressly granted in this Agreement, LICENSEE agrees that it will not, during the term of this Agreement or thereafter, directly or indirectly, assert any interest in, right of use or other rights in the LICENSED MARKS or in any other mark or in any trade name of LICENSOR. LICENSEE agrees to assist LICENSOR in all reasonable respects requested by LICENSOR, and at LICENSOR'S expense, in the establishment, renewal, protection and enforcement of LICENSOR'S rights in the LICENSED MARKS. LICENSOR acknowledges that all rights to trademarks "Designs," "Outlet by Designs" and "BTC" are the property of LICENSEE and agrees not to adopt or attempt to register those marks or any trademark confusingly similar thereto.

17. Terms Governing Purchase and Transfer of Merchandise

(a) PRODUCTS may be purchased directly from LICENSOR or from stores owned by third parties who are approved by LICENSOR on a case-by-case basis, which approval shall not be unreasonably withheld or delayed. Terms of such purchases from LICENSOR shall be negotiated separately and in writing by LICENSEE and LICENSOR.

(b) LICENSEE acknowledges that its access to PRODUCTS for STORES shall be strictly on an "as available" basis; to the extent PRODUCTS are made available to those companies operating outlet stores under a trademark license from LICENSOR ("Outlet Operators"), then, from the date of this Agreement until September 30, 2004, LICENSOR will, for those PRODUCTS, allocate those PRODUCTS to those Outlet Operators on the basis of the number of outlet stores ("doors") operated by such Outlet Operators that carry the relevant LICENSOR brand at that time. Nothing in this Agreement or any other agreement between LICENSOR and LICENSEE shall be deemed to constitute a guarantee of PRODUCT availability.

(c) LICENSEE warrants that it will dispose of its own closeouts of LICENSOR'S products by transferring them from its first quality stores or any other retail store in which LICENSEE has a controlling interest or is a joint venturer to its STORES licensed under this Agreement.

18. Injunctive Relief. Any breach by LICENSEE of this Agreement which involves LICENSEE'S misuse of the LICENSED MARKS or any other of LICENSEE'S trademarks would result in irreparable injury to LICENSOR and therefore, in addition to all other remedies provided at law or in equity,

including, without limitation, remedies provided under The Uniform Trade Secret Act, California Civil Code Sections 3426 et. seq., LICENSOR shall be entitled to seek a temporary restraining order and a permanent injunction to prevent the continuance of such breach. No notice shall be required in order to obtain such injunctive relief. In the event that LICENSOR seeks an injunction hereunder, LICENSEE hereby waives any requirement that LICENSOR post a bond or any other security. LICENSEE shall likewise be entitled to seek a temporary restraining order and a permanent injunction in accordance with all the provisions of this Section 18, if LICENSOR misuses LICENSEE'S trademarks "Designs," "Outlet by Designs" or "BTC."

19. No Assignment or Sublicense. LICENSEE may not assign, sublicense or otherwise transfer any of its rights or obligations hereunder absent the prior written approval of LICENSOR. For purpose of this Section 19, an assignment, sublicense or other transfer shall include: (i) any direct or indirect assignment, sublicense or other transfer, in whole or in part, of any of LICENSEE'S rights or obligations under this Agreement; (ii) any direct or indirect transfer of any of the assets with which the COMBINATION MARKS are being used (including the STORES or their leases but excluding disposal of obsolete signage and displays in the ordinary course of business); (iii) any direct or indirect transfer of control of LICENSEE; or (iv) any transfer of any interest, direct or indirect, in LICENSEE or its assets, to a competitor of LICENSOR (provided that the ordinary purchase of LICENSEE'S shares in a publicly-traded market for such shares, if any, shall not constitute a sale to a competitor for purposes of this Section 19(iv)). Any attempt to assign, sublicense or otherwise transfer any of LICENSEE'S rights or obligations without the prior written consent of LICENSOR shall be void and shall be deemed to be a material breach of this Agreement.

20. Notices. All demands and requests required or permitted by this Agreement shall be given in writing and delivered by U.S. mail or overnight courier, postage prepaid, or by facsimile transmission. All such notices shall be deemed effective upon deposit in the U.S. mail, upon delivery to an overnight courier, or upon confirmation of fax transmission. All such notices shall be addressed as follows:

if to LICENSOR:

Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, California 94111
Attention: Vice President, Customer Relations
with a copy to:

General Counsel/Outlets
1155 Battery Street
San Francisco, California 94111

if to LICENSEE:

Executive Vice President and General Counsel
DESIGNS, INC.
66 B Street
Needham, Massachusetts, 02494

with a copy to:

President
DESIGNS, INC.
66 B Street
Needham, Massachusetts, 02494

21. No Agency. Nothing in this Agreement shall be construed so as to constitute either party the agent, partner or joint venturer of or with the other for any purpose whatsoever. Neither party shall have the right or authority to pledge the credit of or to represent itself as agent of or as authorized to assume or create any obligation of any kind, expressed or implied on behalf of the other party in any respect whatsoever. At all times, LICENSEE shall maintain such notices and make other arrangements in its STORES as may be reasonably necessary to enable its customers to understand that the STORES are owned and operated by LICENSEE, not LICENSOR.

22. Governing Law; Jurisdiction. The validity, construction, performance, enforcement, termination and effect of this Agreement shall be governed by and construed under and in accordance with the laws of the State of California applicable to agreements made and to be wholly performed in that state. The parties irrevocably consent to the non-exclusive jurisdiction of the state courts of California and of any federal courts located in the Northern District of California and in Massachusetts, in connection with any action or proceeding respecting this Agreement or the rights and obligations set forth in this Agreement.

23. Severability. Should any part or provision of this Agreement be held unenforceable or in conflict with applicable law, such part or provision shall be severed from this Agreement in such jurisdiction to the extent necessary to make this Agreement enforceable and the validity of the remaining parts or provisions shall remain in full force and effect. In addition, in such event the parties shall discuss such changes as may be necessary to preserve the original intent of this Agreement and, if the parties cannot agree on changes within 30 days, then either party shall have the option to terminate this Agreement by notice to the other.

24. Entire Agreement. This Agreement constitutes the sole and entire understanding between the parties relating to the use of the COMBINATION MARKS and it replaces any prior agreement, whether written, oral, express, implied or derived from conduct between the parties relating thereto, including without limitation the 1996 Agreement and the letter, dated September 30, 1998, relating to STORE refurbishment.

25. Amendment of Agreement. This Agreement may not be amended, altered or modified except in writing signed by both LICENSEE and LICENSOR.

26. Binding Effect. Except as herein otherwise specifically

provided, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, heirs, administrators, executors, successors and assigns.

27. Waiver. No failure on the part of either party to exercise, and no delay in exercising, any right or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy under this Agreement preclude any other or further exercise or the exercise of any other right or remedy granted here or by law.

28. Survival. The terms of Sections 10(e), 10(f), 13(a), 13(b), 15(a), 16, 18, 20, 21, 22, 23, 24 and 25 shall survive the termination of this Agreement and shall continue to bind the parties thereafter.

IN WITNESS WHEREOF, the parties have executed this Agreement
by their respective officers hereunto duly authorized as of the day and year
first above written.

LEVI STRAUSS & CO.

DESIGNS, INC.

By: /s/ Albert F. Moreno
Albert F. Moreno
Senior Vice President

By: /s/ Joel H. Reichman
Joel H. Reichman
President and
Chief Executive Officer

FIRST AMENDMENT TO AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

This First Amendment to Amended and Restated Loan and Security Agreement is made as of this 29th day of September, 1998 by and between

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,

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 (the "Agreement"); and

WHEREAS, the Borrower desires to acquire twenty-five retail store leases and certain personal property associated therewith from Levi's Only Stores, Inc., which acquisition requires the consent of the Agent and the Lenders pursuant to Section 4-19 of the Agreement; and

WHEREAS, the Agent, the Lenders and the Borrower desire to consent to the aforesaid acquisition and 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. Amendments to Article 1. The provisions of Article 1 of the Agreement are hereby amended

(a) by adding the following new definitions:

"Acceptable LOS Inventory": Inventory acquired by the Borrower upon consummation of the LOS Acquisition which otherwise constitutes Acceptable Inventory.

"LOS Acquisition": The acquisition by the Borrower of twenty-five retail store leases and certain personal property associated therewith from Levi's Only Stores, Inc., for an aggregate price not to exceed \$12,000,000.00 and otherwise on terms and conditions acceptable to the Agent.

"LOS Inventory Advance Rate": Forty-five percent (45%) or such other percentage as the Agent may hereafter establish.

"LOS Inventory": Inventory acquired by the Borrower upon the consummation of the LOS Acquisition.

- (b) by deleting the definition of "Commitment" in its entirety and substituting the following in its stead:

"Commitment": Subject to Section 2-20, as follows:

Lender Dollar Commitment Commitment Percentage

BankBoston Retail Finance Inc.	\$35,000,000.00	70%
Norwest Business Credit, Inc.	\$15,000,000.00	30%

3. Amendments to Article 2 The provisions of Section 2-1 of the Agreement are hereby amended by adding the following at the end of Section 2-1(b)(ii)(A) thereof:

,plus unless and until the Agent notifies the Borrower that LOS Inventory is deemed Acceptable Inventory, the LOS Inventory Advance Rate of the Cost of Acceptable LOS Inventory.

4. Amendments to Article 4. The provisions of Article 4 of the Loan Agreement are hereby amended by
 - (a) effective upon consummation of the LOS Acquisition, deleting the number "\$10,000,000.00" appearing in the third line of Section 4-18(b) and substituting the number "\$5,000,000.00" in its stead.
 - (b) effective upon consummation of the LOS Acquisition, deleting the number "\$5,000,000.00" appearing in the second proviso to Section 4-18(b) and substituting the number "\$2,500,000.00" in its stead.
 - (c) effective upon consummation of the LOS Acquisition, deleting the number "Fifteen Million Dollars (\$15,000,000.00)" appearing in Section 4-19(b) and substituting the number "Nine Million Dollars (\$9,000,000.00)" in its stead.
 - (d) effective upon consummation of the LOS Acquisition, deleting the number "Ten Million Dollars (\$10,000,000.00)" appearing in Section 4-19(c) and substituting the number "Five Million Dollars (\$5,000,000.00)" in its stead.
 - (e) effective upon consummation of the LOS Acquisition, deleting the number "\$5,000,000.00" appearing in the proviso to Section 4-19(c) and substituting the number "\$2,500,000.00" in its stead.

The LOS Acquisition shall not be included in the calculation of the Borrower's compliance with any of the sections described in this Paragraph 4.

5. Consent to LOS Acquisition. Notwithstanding the provisions of Section 4-19(c) which limit the amount of cash consideration payable in connection with any Permitted Acquisition, the Agent and the Lenders hereby consent to the consummation of the LOS Acquisition and waive any Events of Default which otherwise would have been occasioned thereby under Section 4-19(c).
6. 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.

7. Miscellaneous.

(a) This First Amendment to Amended and Restated Loan and Security Agreement 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 First Amendment to Amended and Restated Loan and Security Agreement 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 First 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 First Amendment to Amended and Restated Loan and Security Agreement.

(e) 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 First Amendment to Amended and Restated Loan and Security Agreement.

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

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

AGENT

BANKBOSTON RETAIL FINANCE INC.

By: /s/ Michael L. Pizette

Name: Michael L. Pizette

Title: Managing Director

LENDERS

BANKBOSTON RETAIL FINANCE INC.

By: /s/ Michael L. Pizette

Name: Michael L. Pizette

Title: Managing Director

NORWEST BUSINESS CREDIT, INC.

By: /s/ Scott Fiore

Name: Scott Fiore

Title: Assistant Vice President

BORROWER

DESIGNS, INC.

By: /s/ Joel H. Reichman

Name: Joel H. Reichman

Title: President & CEO

SECOND AMENDMENT TO AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

This Second Amendment to Amended and Restated Loan and Security Agreement is made as of the 31st day of October, 1998 by and between

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,

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 Borrower desires to amend and terminate the Joint Venture, to acquire certain of the assets of the Joint Venture, and to assume certain of the liabilities of the Joint Venture, all of which requires the consent of the Agent and the Lenders pursuant to the Agreement; and

WHEREAS, the Agent, the Lenders and the Borrower desire to consent to the aforesaid transaction and 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. Amendments to Article 1. The provisions of Article 1 of the Agreement are hereby amended
 - (a) by adding the following new definitions:

"Joint Venture Distribution Agreement": The Amendment and Distribution Agreement dated as of October 31, 1998 by and among Designs JV Corp., LDJV Inc. and The Designs/OLS Partnership.

"JV Acquisition": The transactions described in the Joint Venture Distribution Agreement, including, without limitation, the acquisition by the Borrower of eleven (11) retail store leases and certain personal property associated therewith from the Joint Venture pursuant to the Joint Venture Distribution Agreement.

- (b) by amending the following definitions, effective upon the dissolution of the Joint Venture (in accordance with the provisions of Section 6.1 of the Joint Venture Distribution Agreement):
 - (i) the definition of "Affiliate" by deleting the proviso thereto in its entirety.
 - (ii) the definition of "ERISA Affiliate" by deleting the words "(other than the Joint Venture)" therefrom.
 - (iii) the definition of "Guarantors" by deleting the words "the Joint Venture and" in the parenthetical thereto.

- (iv) the definition of "Indebtedness" by deleting the words "(other than the Joint Venture)" therefrom.
- (v) the definition of "Permitted Acquisition" by deleting the words "(other than the Joint Venture)" from subparagraph (A) thereof.
- (vi) the definition of "Related Entity" by deleting the words " but excluding, in any event, the Joint Venture" therefrom.
- (vii) the definition of "Tangible Net Worth" to read as follows:

"Tangible Net Worth": The result, on the day on which compliance with any financial performance covenant applicable to Tangible Net Worth is being determined, of (a) the difference between (i) the Obligor's assets and (ii) the Obligor's liabilities, respectively, minus (b) the aggregate of those of the Obligor's assets as may be deemed intangible in accordance with GAAP, all of the foregoing as would be reflected on a balance sheet prepared in accordance with the requirements of Section 5-1 hereof.

(c) by deleting the number "\$300,000.00" appearing in clause (i) of the definition of "Availability Reserves" and substituting the number "\$400,000.00" in its stead.

3. Amendments to Article 4. The provisions of Article 4 of the Loan Agreement are hereby amended by

(a) adding the following new subparagraph to Section 4-7:

(d) Indebtedness assumed pursuant to the Joint Venture Distribution Agreement (including, without limitation, any guaranty of the indemnities furnished thereunder).

(b) by deleting the provisions of subparagraph 4-18(c)(i) in their entirety and substituting the words "Intentionally Omitted" in their stead.

(c) deleting the provisions of clause (B)(including the first proviso thereto) in Section 4-20(c) of the Agreement.

(d) adding the words "in accordance with the Joint Venture Distribution Agreement" at the end of the first sentence of Section 4-21(a).

(e) adding the following at the end of Section 4-21(b):

, other than in accordance with the Joint Venture Distribution Agreement.

(f) adding the following new subsection to Section 4-21:

(c) The Borrower shall not, and shall not permit, any material change or amendment to the Joint Venture Distribution Agreement.

(g) adding the following at the end of Section 4-22:

,other than as contemplated in the Joint Venture Distribution Agreement.

4. Amendments to Article 5. The provisions of Article 5 of the Loan Agreement are hereby amended by deleting the number "\$50,000.00" appearing in Section 5-11(f)(i) and substituting the number "\$65,000.00" in its stead.
5. Amendments to Article 10. The provisions of Article 10 of the Loan Agreement are hereby amended by

(a) adding the following at the end of Section 10-7 thereof:

(except that possible terminations of Capital Leases by virtue of the consummation of the JV Acquisition shall not constitute an Event of Default hereunder unless the subject lessor actually terminates its Capital Lease and the Borrower fails to repay the amounts due thereunder within three (3) Business Days thereafter).

(b) adding the following at the end of Section 10-17 thereof:

(except that any default arising thereunder by virtue of the consummation of the JV Acquisition shall not constitute an Event of Default hereunder unless the lessor declares a default thereunder and the Borrower fails to repay the amounts due thereunder within three (3) Business Days thereafter).

(c) deleting the provisions of Section 10-19 in their entirety.

6. Amendments to Exhibits.

(a) The following Exhibits to the Agreement are hereby deleted in their entirety and new Exhibits in the form annexed hereto substituted in their stead:

- (i) Exhibit 4-3
- (ii) Exhibit 4-5

(b) The provisions of Exhibit 5-13(a) are hereby amended by deleting

- (i) the Minimum Tangible Net Worth required for the Fiscal Quarter ending October, 1998 (i.e. \$51,000,000.00) and substituting \$57,000,000.00 in its stead; and
- (ii) the Minimum Tangible Net Worth required for the Fiscal Quarter ending January, 1999 and each fiscal quarter ending thereafter (i.e. \$48,000,000.00) and substituting "(x) \$56,000,000.00, plus (y) an amount equal to the difference between the "Final Outlet Assets Value" as determined under Section 2.3 of the Joint Venture Distribution Agreement and \$6,000,000.00 (but in no event less than zero)" in its stead.

7. Consent to JV Acquisition. The Agent and the Lenders hereby consent to the consummation of the JV Acquisition and the execution and performance of the Joint Venture Distribution Agreement and waive any Events of Default which otherwise would have been occasioned thereby.

8. 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.

9. Miscellaneous.

(a) The Borrower and the Lender acknowledge that:

(i) the Inventory acquired by the Borrower in the JV Acquisition and the LOS Inventory constitutes "Acceptable Inventory"; and

(ii) the notification by the Borrower of its intent to close the locations set forth in EXHIBIT 4-5 under the caption "Stores Planned for Closure" satisfies the notice requirements of Section 4-5(d) of the Agreement.

(b) This Second Amendment to Amended and Restated Loan and Security Agreement 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.

(c) This Second Amendment to Amended and Restated Loan and Security Agreement 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.

(d) Any determination that any provision of this Second 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 Second Amendment to Amended and Restated Loan and Security Agreement.

(e) 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 Second Amendment to Amended and Restated Loan and Security Agreement.

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

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

AGENT

BANKBOSTON RETAIL FINANCE INC.

By: /s/ Michael L. Pizette

Name: Michael L. Pizette

Title: Director

LENDERS

BANKBOSTON RETAIL FINANCE INC.

By: /s/ Michael L. Pizette

Name: Michael L. Pizette

Title: Director

NORWEST BUSINESS CREDIT, INC.

By: /s/ Scott Fiore

Name: Scott Fiore

Title: Assistant Vice President

BORROWER

DESIGNS, INC.

By: /s/ Carolyn R. Faulkner

Name: Carolyn R. Faulkner

Title: Chief Financial Officer