

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the Quarterly Period
Ended May 4, 2002

Commission File Number 0-15898

DESIGNS, INC.
(Exact name of registrant as
specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2623104
(IRS Employer Identification No.)

555 Turnpike Street, Canton, MA
(Address of principal executive offices)

02021
(Zip Code)

(781) 828-9300
(Registrant's telephone
number, including area code)

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

Yes X No

The number of shares of common stock outstanding as of June 17, 2002 was 15,994,010.

DESIGNS, INC.
CONSOLIDATED BALANCE SHEETS
May 4, 2002 and February 2, 2002
(In thousands, except share data)

	May 4, 2002 (unaudited)	February 2, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	278	491
Inventories	69,273	57,734
Deferred income taxes	1,082	652
Prepaid expenses	3,012	2,887
Total current assets	73,645	61,764
Property and equipment, net of accumulated depreciation and amortization	20,052	20,912
Other assets:		
Deferred income taxes	7,326	7,326
Other assets	1,072	899

Total assets	\$ 102,095	\$ 90,901
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,367	\$ 7,074
Accrued expenses and other current liabilities	9,769	11,120
Accrued rent	2,651	2,541
Notes payable	33,641	27,752
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Total current liabilities	61,428	48,487
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Stockholders' equity:		
Preferred Stock, \$0.01 par value, 1,000,000 shares authorized, none issued	-	-
Common Stock, \$0.01 par value, 50,000,000 shares authorized, 17,622,000 and 17,608,000 shares issued at May 4, 2002 and February 2, 2002, respectively	176	176
Additional paid-in capital	56,237	56,189
Retained earnings	(7,099)	(5,304)
Treasury stock at cost, 3,040,000 shares at May 4, 2002 and February 2, 2002, respectively	(8,450)	(8,450)
Loan to executive	(197)	(197)
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Total stockholders' equity	40,667	42,414
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Total liabilities and stockholders' equity	\$ 102,095	\$ 90,901
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The accompanying notes are an integral part of the consolidated financial statements.

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

	Three Months Ended	
	May 4, 2002	May 5, 2001
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Sales	\$ 36,441	\$ 39,395
Cost of goods sold including occupancy	28,448	29,990
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Gross profit	7,993	9,405
Expenses:		
Selling, general and administrative	9,077	9,706
Depreciation and amortization	1,411	1,396
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Total expenses	10,488	11,102
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Operating loss	(2,495)	(1,697)
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Interest expense, net	353	546
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Loss before income taxes	(2,848)	(2,243)
Benefit for income taxes	(1,053)	(875)
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Net loss	\$(1,795)	\$(1,368)
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Loss per share- Basic and Diluted	\$(0.12)	\$ (0.09)
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Weighted average number of common shares outstanding		
- Basic and Diluted	14,576	14,459

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

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

	Three Months Ended	
	May 4, 2002	May 5, 2001
Cash flows from operating activities:		
Net loss	\$ (1,795)	\$ (1,368)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,411	1,396
Issuance of common stock and options	33	30
Loss on sale or disposal of fixed assets	(26)	(8)
Changes in operating assets and liabilities:		
Accounts receivable	213	(101)
Inventories	(11,539)	(10,051)
Prepaid expenses	(125)	324
Other assets	(202)	(31)
Reserve for severance and store closings	-	(216)
Income taxes	(430)	(515)
Accounts payable	8,293	4,706
Accrued expenses and other current liabilities	(1,324)	786
Accrued rent	110	113
Net cash used for operating activities	(5,381)	(4,935)
Cash flows from investing activities:		
Additions to property and equipment	(523)	(1,959)
Proceeds from disposal of property and equipment	-	7
Net cash used for investing activities	(523)	(1,952)
Cash flows from financing activities:		
Net borrowings under credit facility	5,889	6,886
Issuance of common stock under option program	15	1
Net cash provided by financing activities	5,904	6,887
Net change in cash and cash equivalents	-	-
Cash and cash equivalents:		
Beginning of the year	-	-
End of the period	\$ -	\$ -

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

DESIGNS, INC.
Notes to Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended February 2, 2002 (included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission). The information set forth in these statements may be subject to normal year-end adjustments. The information reflects all adjustments that, in the opinion of management, are

necessary to present fairly the Company's results of operations, financial position and cash flows for the periods indicated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's business historically has been seasonal in nature and the results of the interim periods presented are not necessarily indicative of the results to be expected for the full year.

2. Credit Facility

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

At May 4, 2002, the Company had borrowings of approximately \$33.6 million outstanding under this credit facility and had two outstanding standby letters of credit totaling approximately \$2.3 million. Average borrowings outstanding under this facility during the first three months of fiscal 2003 were approximately \$29.5 million. The Company had average unused excess availability under this facility of approximately \$6.7 million during the first three months of fiscal 2003, and unused availability of \$4.3 million at May 4, 2002. The Company was in compliance with all debt covenants under the Amended Credit Agreement at May 4, 2002.

Subsequent to the end of the first quarter on May 14, 2002, the credit facility was further amended in connection with the financing for the Company's acquisition of substantially all of the assets of Casual Male Corp. and certain of its subsidiaries ("Casual Male"). See Note 5 below for further discussion regarding the acquisition.

3. Earnings Per Share

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

(In thousands)	For the three months ended	
	May 4, 2002	May 5, 2001

Basic weighted average common shares outstanding	14,576	14,459
Stock options, excluding the effect of anti-dilutive options for 764 and 557 shares for the three months ended May 4, 2002 and May 5, 2001, respectively	--	--
Diluted weighted average shares outstanding	----- 14,576	----- 14,459

Options to purchase 178,350 shares of the Company's common stock for the three months ended May 4, 2002 and options to purchase 228,600 shares of the Company's common stock for the three months ended May 5, 2001, were excluded from the computations of diluted earnings per share, in each case because the exercise price of such options was greater than the average market price per share of Common Stock for the periods reported.

4. Related Party Transactions

Effective as of April 28, 2002, the Board of Directors approved the extension of the existing consulting agreement with Jewelcor Management Inc. ("JMI") for an additional one-year term commencing on April 29, 2002 and ending on April 28, 2003. As payment for services rendered under this agreement, the Company issued to JMI 60,659 non-forfeitable and fully vested shares of the Company's common stock. The fair value of those shares on April 29, 2002, the date of issuance, was \$276,000 or \$4.55 per share. Seymour Holtzman, Chairman of the Board of Directors of the Company, is President and Chief Executive Officer of JMI, and indirectly, with his wife, is the principal beneficial owner of the stock of JMI.

5. Subsequent Event- Acquisition of Assets

On May 14, 2002, pursuant to an Asset Purchase Agreement entered into as of May 2, 2002, the Company completed the acquisition of Casual Male for a purchase price of approximately \$170 million, plus the assumption of certain operating liabilities. The Company was selected as the highest and best bidder for the Casual Male assets at a bankruptcy court ordered auction commencing on May 1, 2002 and concluding on May 2, 2002. The U.S. Bankruptcy Court for the Southern District of New York subsequently granted its approval of the acquisition of Casual Male on May 7, 2002.

Casual Male is a leading independent specialty retailer of fashion, casual and dress apparel for big and tall men, with annual sales that exceed \$350 million. Casual Male sells its branded merchandise through various channels of distribution including full price and outlet retail stores, direct mail and the internet. Casual Male had been operating under the protection of the U.S. Bankruptcy Court since May 2001.

Under the terms of the asset purchase agreement, the Company acquired substantially all of Casual Male's assets including, but not limited to, the inventory and fixed assets of approximately 475 retail store locations and various intellectual property. In addition, the Company assumed certain operating liabilities, including but not limited to, existing retail store lease arrangements and the existing mortgage for Casual Male's corporate office, which is located in Canton, Massachusetts.

The Casual Male acquisition, along with the payment of certain related fees and expenses, was completed with funds provided by: (i) approximately \$30.2 million in additional borrowings from the Company's amended three-year \$120.0 million senior secured credit facility with the Company's bank, Fleet Retail Finance, Inc. ("FRFI"), (ii) \$15.0 million from a three-year term loan with a subsidiary of FRFI, (iii) proceeds from the private placement of \$24.5 million principal amount of 12% senior subordinated notes due 2007 together with detachable warrants to acquire 1,715,000 shares of the Company's Common Stock, par value \$.01 per share ("Common Stock"), at an exercise price of \$.01 per share, and additional detachable warrants to acquire 1,176,471 shares of Common Stock at an exercise price of \$8.50 per share, (iv) proceeds from the private placement of \$11.0 million principal amount of 5% senior subordinated notes due 2007, (v) approximately \$82.5 million of proceeds from the private placement of approximately 1.4 million shares of Common Stock and 180,162 shares of newly designated Series B Convertible Preferred Stock, par value \$0.01 per share ("Series B Preferred Stock") (equivalent to approximately 18.0 million shares of Common Stock, conditioned upon shareholder approval for conversion), and (vi) the assumption of a mortgage note in the principal amount of approximately \$12.2 million.

This transaction is described more fully in the Company's Current Report on Form 8-K filed on May 23, 2002 and Current Reports on Form 8-K/A filed on May 23, 2002 and June 14, 2002.

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

RECENT EVENTS

Acquisition

On May 14, 2002 the Company completed the acquisition of substantially all of the assets of Casual Male and certain subsidiaries ("Casual Male") for a purchase price of approximately \$170 million, plus the assumption of certain operating liabilities. The Company was selected as the highest and best bidder at a bankruptcy court ordered auction commencing on May 1, 2002 and concluding on May 2, 2002. The U.S. Bankruptcy Court for the Southern District of New York subsequently granted its approval of the acquisition of Casual Male on May 7, 2002.

Casual Male is a leading independent specialty retailer of fashion, casual and

dress apparel for big and tall men, with annual sales that exceed \$350 million. Casual Male sells its branded merchandise through various channels of distribution including full price and outlet retail stores, direct mail and the internet. Casual Male had been operating under the protection of the U.S. Bankruptcy Court since May 2001.

Under the terms of the asset purchase agreement, the Company acquired substantially all of Casual Male's assets including, but not limited to, the inventory and fixed assets of approximately 475 retail store locations and various intellectual property. In addition, the Company will also assume certain operating liabilities, including but not limited to, existing retail store lease arrangements and the existing mortgage for Casual Male's corporate office, which is located in Canton, Massachusetts.

The Casual Male acquisition, along with the payment of certain related fees and expenses, was completed with funds provided by: (i) approximately \$30.2 million in additional borrowings from the Company's amended three-year \$120.0 million senior secured credit facility with the Company's bank, Fleet Retail Finance, Inc. ("FRFI"), (ii) \$15.0 million from a three-year term loan with a subsidiary of FRFI, (iii) proceeds from the private placement of \$24.5 million principal amount of 12% senior subordinated notes due 2007 together with detachable warrants to acquire 1,715,000 shares of the Company's Common Stock, par value \$.01 per share ("Common Stock"), at an exercise price of \$.01 per share, and additional detachable warrants to acquire 1,176,471 shares of Common Stock at an exercise price of \$8.50 per share, (iv) proceeds from the private placement of \$11.0 million principal amount of 5% senior subordinated notes due 2007, (v) approximately \$82.5 million of proceeds from the private placement of approximately 1.4 million shares of Common Stock and 180,162 shares of newly designated Series B Convertible Preferred Stock, par value \$0.01 per share ("Series B Preferred Stock") (equivalent to approximately 18.0 million shares of Common Stock, conditioned upon shareholder approval for conversion), and (vi) the assumption of a mortgage note in the principal amount of approximately \$12.2 million.

Proposed Corporate Name Change

In view of the significance of the Casual Male acquisition to the growth and future identity of the Company, the Board of Directors will be recommending to its stockholders at the Company's Annual Meeting of Stockholders scheduled for August 8, 2002 that the Company change its name to "Casual Male Retail Group, Inc." The Company believes that Casual Male will be a significant future contributor to the Company's overall business and that it will be important to align the customer and investor identification of the Company with the Casual Male store concept.

Planned Divestiture

On June 11, 2002, the Company announced that it planned to divest its loss prevention services subsidiary, LP Innovations ("LPI"), enabling the business to become an independent company operating under its existing LPI management. LPI, a subsidiary of Casual Male, was acquired as part of Casual Male acquisition.

LPI, which provides loss prevention services and system solutions primarily to the retail industry, is expected either to be sold to a company outside of the retail sector, or to be subject to a distribution of LPI stock pro-rata to the Company's stockholders, which in either case will result in the LPI business being held by an independent company. Any public stock received by Designs in the sale of LPI will be distributed pro rata to the Company's stockholders.

RESULTS OF OPERATIONS

Sales

Sales for the first quarter of fiscal 2003, which ended May 4, 2002, were \$36.4 million as compared to sales of \$39.4 million in the first quarter of fiscal 2002. Comparable store sales for the first quarter decreased 9%. The first quarter sales performance primarily reflected the unseasonably cold weather experienced during the month of April, which resulted in significantly reduced customer traffic in the outlet malls. The Company believes that its merchandise inventories are well positioned and at appropriate levels in anticipation of an increase in customer traffic in the warmer weeks of spring. Comparable stores are retail locations that have been open at least 13 months. Of the 105 stores that the Company operated at May 4, 2002, 95 were comparable stores.

Gross Profit Margin

Gross profit margin, inclusive of occupancy costs, was 21.9% for the first quarter of fiscal 2003 as compared to 23.9% in the first quarter of the prior year. The majority of the decrease in margin was due to the deleveraging of occupancy costs to sales of 1.9 percentage points. The Company's initial

merchandise margins continue to be lower than expectations due to a lack of availability of close-out merchandise, therefore resulting in the Company having to purchase higher cost merchandise. The Company's markdowns rates on merchandise were consistent with the prior year.

The Company has made several opportunistic purchases of higher margin fall merchandise which the Company expects will benefit gross margin in the second half of fiscal 2003.

Selling, General and Administrative Expenses

Set forth below is certain information concerning the Company's selling, general and administrative expenses for the three months ended May 4, 2002 and May 5, 2001, respectively.

(In thousands, except percentage data)	May 4, 2002		May 5, 2001	
	\$	% of sales	\$	% of sales

For the three months ended:				
Store payroll	\$ 4,354	11.9%	\$ 4,986	12.7%
Other SG&A	\$ 4,723	13.0%	\$ 4,720	12.0%

The majority of the decrease in total selling, general and administrative expense was a result of improvements in store payroll, which decreased 0.8% as a percentage of sales. The Company continues to focus on its cost reduction efforts and expects to continue to show favorable decreases over the prior year.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended May 4, 2002 increased slightly by 1.1% from the prior year primarily due to the opening of new stores and the remodeling of existing stores.

Interest Expense, Net

Net interest expense was \$353,000 and \$546,000 for the three months ended May 4, 2002 and May 5, 2001, respectively. The decrease was attributable to favorable interest rates on borrowings under the Company's revolving credit facility as compared to the prior year.

Net Loss

Net loss for the three months ended May 4, 2002 was \$1.8 million or \$0.12 per diluted share as compared to a net loss of \$1.4 million or \$0.09 per diluted share for the three months ended May 5, 2001. The decrease in earnings in the first quarter as compared to the prior year was primarily due to the sales shortfall experienced in April as a result of the unseasonably cold weather and consequently reduced customer traffic.

SEASONALITY

Historically, the Company has experienced seasonal fluctuations in revenues and income with increases occurring during the Company's third and fourth quarters as a result of "Fall" and "Holiday" seasons. Although the Company's business is principally located in outlet centers, the Company continues to experience a significant portion of its revenue and income in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash needs are for working capital, essentially inventory requirements, and capital expenditures. Because the Company's retail stores are primarily in the outlet channel of distribution, opportunistically acquiring close-out merchandise is an integral part of the Company's business. In addition, the Company's capital expenditure program has included projects for new store openings, remodeling existing stores, and improvements in its systems infrastructure. For fiscal 2003, the Company expects that much of the Company's capital requirements will be used for expansion of its Candies(R) and Ecko Unltd.(R) outlet stores.

As previously discussed, the Company's recent acquisition of Casual Male was funded through a combination of the issuance of new debt and new equity. The Company anticipates that cash flow from operations and availability under the Company's amended \$120 million credit facility with FRFI will be sufficient to meet all debt payments and operating needs of the business.

During the first three months of fiscal 2003, cash used for operations was \$5.4 million as compared to cash used for operations of \$4.9 million for the first

three months of the prior year. Cash from operations as compared to the prior year decreased \$1.7 million due primarily to timing of merchandise receipt of inventory and the decrease in earnings during the first quarter as compared to last year.

At May 4, 2002, total inventory equaled \$69.3 million, compared to \$57.7 million at February 2, 2002. This increase in inventory is in part seasonal and reflects the receipt of merchandise in preparation for the late spring and summer selling seasons and certain opportunistic purchases of inventory. The Company stocks its Levi's(R)/Dockers(R) Outlet stores with Levi's(R) and Dockers(R) manufacturing overruns, merchandise specifically manufactured for The outlet stores and discontinued lines and irregulars all purchased primarily from Levi Strauss & Co. By their nature, manufacturing overruns, and discontinued or irregular merchandise, including the most popular Levi Strauss & Co. styles of merchandise, and the breadth of the mix of this merchandise, are subject to limited availability. As previously discussed, the availability of such close-out merchandise has been limited for the Company's spring and summer selling seasons and the Company has had to supplement its merchandise offerings with higher cost merchandise from Levi Strauss & Co. The Company has acted on several opportunistic purchases which should benefit the fall selling season. The Company will continue to evaluate additional opportunities to purchase quantities of Levi's(R), Dockers(R) and Slaters(R) brand products.

Total cash outlays for capital expenditures, net of landlord allowances, for The first three months of fiscal 2003 were \$523,000 compared to \$3.2 million during the first three months of fiscal 2002. During the first three months of fiscal 2003, the Company opened four new Candies(r) outlet stores, three of which were carve-outs from the Company's existing Levi's(R)/Dockers(R) Outlet stores. The Company's fourth Candies(r) Outlet store to open in the first quarter of fiscal 2003 was in Las Vegas, Nevada and represents the Company's first of several West Coast locations to be opened in fiscal 2003.

The Company expansion plan for fiscal 2003 includes a total of 15 to 20 new outlet store openings which will include additional Candies(r) outlet stores as well as Ecko Unltd.(r) outlet stores.

During the first three months of fiscal 2003, a portion of the Company's cash needs came from borrowings under its bank credit facility. At May 4, 2002, the Company had borrowings of approximately \$33.6 million outstanding under this credit facility and had two outstanding standby letters of credit totaling approximately \$2.3 million.

The Company's working capital at May 4, 2002 was approximately \$12.2 million, compared to \$13.3 million at February 2, 2002. This decrease in working capital was primarily attributable to capital expenditures incurred for new and remodeled stores.

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

The Company utilizes cash from operations and short-term borrowings to fund its working capital needs. Borrowings under the Company's bank credit agreement, which expires in November 2003, bear interest at variable rates based on FleetBoston, N.A.'s prime rate or the London Interbank Offering Rate ("LIBOR"). These interest rates at May 4, 2002 were 4.75% for prime based borrowings and included various LIBOR contracts with interest rates ranging from 3.870% to 4.374%. Based upon sensitivity analysis as of May 4, 2002, a 10% increase in interest rates would result in a potential cost to the Company of approximately \$140,000 on an annualized basis. In addition, the Company has available letters of credit as sources of financing for its working capital requirements.

Part II. Other Information

ITEM 1. Legal Proceedings

None.

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Default Upon Senior Securities

None.

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

None.

ITEM 6. Exhibits and Reports on Form 8-K

A. Reports on Form 8-K:

None.

B. Exhibits:

- 3.1 Restated Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1 to Amendment No. 3 of the Company's Registration Statement on Form S-1 (No. 33-13402), and incorporated herein by reference). *
- 3.2 Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated June 22, 1993 (included as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q dated June 17, 1996, and incorporated herein by reference). *
- 3.3 Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of the Company established Series A Junior Participating Cumulative Preferred Stock dated May 1, 1995 (included as Exhibit 3.2 to the Company's Annual Report on Form 10-K dated May 1, 1996 and incorporated herein by reference). *
- 3.4 Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of Series B Convertible Preferred Stock dated May 14, 2002 (included as Exhibit 3.1 to the Company's Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 3.5 By-Laws of the Company, as amended (included as Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q dated December 12, 2000, and incorporated herein by reference). *
- 10.1 1992 Stock Incentive Plan, as amended (included as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated September 18, 2001 and incorporated herein by reference). *
- 10.2 License Agreement between the Company and Levi Strauss & Co. dated as of April 14, 1992 (included as Exhibit 10.8 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference). *
- 10.3 Amended and Restated Trademark License Agreement between the Company and Levi Strauss & Co. dated as of October 31, 1998 (included as Exhibit 10.4 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference). *
- 10.4 Amendment to the Amended and Restated Trademark License Agreement dated March 22, 2000 (included as Exhibit 10.7 to the Company's Form 10-K dated April 28, 2000, and incorporated herein by reference). *
- 10.5 Second Amended and Restated Loan and Security Agreement dated as of December 7, 2000 among the Company and Fleet Retail Finance Inc., as agent for the Lender(s) identified therein. (included as Exhibit 10.12 to the Company's Form 10-Q dated December 12, 2000, and incorporated herein by reference). *
- 10.6 Third Amended and Restated Loan and Security Agreement dated as of May 14, 2002, by and among Fleet Retail Finance, Inc.,

as Administrative Agent and Collateral Agent, the Lenders identified therein, Designs, Inc., as Borrowers' Representative, and Designs, Inc. and Designs Apparel, Inc., as Borrowers. (included as Exhibit 10.9 to the Company's Current Report on Form 8-K/A filed on May 23, 2002, and incorporated herein by reference).

*

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

*

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

*

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

*

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

*

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

*

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

*

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

*

10.14 Secured Promissory Note dated as of June 26, 2000 between the Company and David A. Levin (included as Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q dated September 12, 2000, and incorporated herein by reference).

*

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

*

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

*

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

*

10.18 Employment Agreement dated as of October 22, 2001 between the Company and Ronald N. Batts (incorporated as Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q dated December 14, 2001, and incorporated herein by reference).

*

10.19 Retail Store License Agreement dated as of January 9, 2002 between the Company and Candie's, Inc. (incorporated as Exhibit 10.23 to the Company's Annual Report on Form 10-K dated May 1, 2002 and incorporated herein by reference).

*

10.20 Retail Store License Agreement Amendment No. 1 dated as of January 15, 2002 between the Company and Candie's, Inc. (incorporated as Exhibit 10.24 to the Company's Annual Report on Form 10-K dated May 1, 2002 and incorporated herein by reference).

*

- 10.21 Asset Purchase Agreement entered into as of May 2, 2002, by and among the Company and Casual Male Corp. and certain subsidiaries (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.22 Amended and Restated Note Agreement, dated as of April 26, 2002, and amended and restated as of May 14, 2002, among the Company, certain subsidiaries of the Company and the purchasers identified therein (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.23 Form of 12% Senior Subordinated Note due 2007 (included as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.24 Form of 5% Subordinated Note due April 26, 2007 (included as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.25 Form of Warrant to Purchase Shares of Common Stock (aggregating 787,500 shares)(included as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.26 Form of Warrant to Purchase Shares of Common Stock (aggregating 927,500 shares, subject to shareholder approval)(included as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.27 Form of Warrant to Purchase Shares of Common Stock (aggregating 1,176,471 shares, subject to shareholder approval)(included as Exhibit 10.7 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.28 Registration Rights Agreement entered into as of April 26, 2002, by and between the Company and the persons party thereto (included as Exhibit 10.8 to the Company's Current Report on Form 8-K filed on May 23, 2002 and incorporated herein by reference). *
- 10.29 Sourcing Agreement dated May 1, 2002, between the Company and Kellwood Company.
- 10.30 Extension to Consulting Agreement, dated as of April 28, 2002, between the Company and Jewelcor Management, Inc.
- 18.1 Letter of Preferability from Ernst & Young dated June 13, 2001 (included as Exhibit 18.1 to the Company's Quarterly Report on Form 10-Q dated June 19,2001 and incorporated herein by reference). *
- 99 Current Report on Form 8-K, dated April 28, 2000 concerning certain cautionary statements of the Company to be taken into account in conjunction with consideration and review of the Company's publicly-disseminated documents (including oral statements made by others on behalf of the Company) that include forward looking information. *
- * Previously filed with the Securities and Exchange Commission.

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 thereunto duly authorized.

DESIGNS, INC.

Date: June 18, 2002

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

SOURCING AGREEMENT

This sourcing agreement (this "Agreement") is dated May 1, 2002, and is between DESIGNS, INC., a Delaware corporation ("Designs"), and KELLWOOD COMPANY, a Delaware corporation ("Kellwood").

Designs is engaged in the business of retail sale of apparel and accessories ("Merchandise") at retail locations throughout the United States. Designs has submitted a bid to acquire, subject to Section 363 of the U.S. Bankruptcy Code, substantially all the assets of Casual Male Corp., a Massachusetts corporation, and certain related entities (collectively, "Casual Male"; that acquisition, the "Casual Male Acquisition") and has entered into an agreement with Kellwood under which Kellwood has agreed, subject only to the execution and delivery of this Agreement, to lend \$10 million to Designs on a subordinated basis, in exchange for a promissory note from Designs to Kellwood (the "Note") to be applied by the Company in whole or in part to fund a portion of the proposed purchase price of the Casual Male Acquisition.

As a condition to the parties' entering into and performing their obligations under the above referenced agreement and the Note, , the parties are entering into this Agreement.

The parties therefore agree as follows:

Article 1 SOURCING AND SUPPLY SERVICES

1.1 Sourcing and Supply Services. Kellwood shall manufacture or cause to be manufactured Merchandise for sale to Designs (which for purposes of Article 1 and Article 2 will be deemed to include Designs or any of its Affiliates, including those operating the business acquired from Casual Male), in accordance with orders placed with Kellwood by Designs (such Merchandise when ordered by Designs from Kellwood under this Agreement, "Products"). During the term of this Agreement, the products and services to be provided by Kellwood hereunder will be non-exclusive, and subject to Section 1.2, Designs will have the right to source Merchandise from any Person, it being understood that Kellwood will not have any obligation with respect to Merchandise sourced from such other Persons.

1.2 Minimum Quantity. Each Contract Year, provided the Casual Male acquisition has been consummated, Designs shall place with Kellwood orders for Products having not less than the following aggregate whole Product Cost (the "Minimum Quantity") (not including the Merchandise currently being supplied by Kellwood to Designs which includes Dockers Exact(r) and Slates(r) product for Designs Levis/Dockers outlet stores), so long as such Products, satisfactory to Designs in quality and quantity, are timely supplied by Kellwood at reasonably competitive prices:

Contract Year 1	\$50,000,000
Contract Year 2	\$52,500,000
Contract Year 3	\$55,125,000
Contract Year 4	\$57,881,250
Contract Year 5	\$60,775,312
Contract Year 6	\$63,814,077
Contract Year 7	\$67,004,780

(a) For purposes of this Agreement, "Product Cost" of any Products means the wholesale price of those Products invoiced by Kellwood to Designs, which includes the Cost of Goods Sold (as defined in Section 2.3) and the related Margins (as defined in Section 2.2).

(b) Designs and Kellwood shall cooperate in good faith to assure that the prices charged or proposed to be charged to Designs by Kellwood are reasonably competitive.

(c) In the event that the aggregate Product Cost of Designs' purchases of Products from Kellwood in any Contract Year shall be less than the Minimum Quantity for such Contract Year specified in (a) above, then (i) the Minimum Quantity specified in (a) above for the immediately following Contract Year shall be increased by the amount of such shortfall, up to 20% of the Minimum Quantity so specified for the Contract Year in which such shortfall occurred, and (ii) Designs shall pay to Kellwood as liquidated damages an amount equal to 15.5% of the amount of such shortfall (if any) in excess of 20% of such Minimum Quantity so specified for such Contract Year. In the event that the Minimum Quantity for any such following Contract Year has been so increased by up to 20% of the shortfall from the preceding Contract Year, then to the extent, if any, that the aggregate cost of Designs' purchases of Products from Kellwood in such immediately following Contract Year shall be less than the Minimum Quantity for such following Contract Year (as so increased), Designs shall pay to Kellwood as liquidated damages an amount equal to 15.5% of such shortfall in such following Contract Year, and no further payment or adjustment shall be due and no further increase shall be made by reason of such past

shortfalls in the Minimum Quantity specified for any subsequent Contract Year.

1.3 Purchasing Procedure. At its expense, Designs shall prepare and deliver reasonably detailed Product specifications in writing to Kellwood.

(a) Kellwood shall then promptly supply Designs with samples of the Products so ordered.

(b) If such samples are satisfactory to Designs in quality and the Product Cost is competitive, Designs shall then, using purchase orders in a form reasonably acceptable to Kellwood (including providing for a commercially reasonable schedule for delivery), authorize Kellwood to manufacture and sell to Designs those Products in the quantities specified in such purchase orders.

(c) Kellwood shall then promptly confirm those orders in writing and use commercially reasonable efforts to comply with the specifications and timing requirements of Designs.

(d) Designs may, at its expense and if it deems appropriate, cause its employees and representatives to travel to Kellwood's offices and to facilities of Kellwood in connection with the purchase of Merchandise.

(e) Designs may return to Kellwood for full credit any Products that Designs, in good faith, determines to be commercially defective. To the extent that any defective product, together with any claims, as specified in Section 2.5, exceeds 5% of the Minimum Quantity for the Contract Year, as specified in Section 1.2, such amount will be credited for purposes of determining Designs' compliance with its obligations under Section 1.2.

1.4 Forecasts by Designs. In order to facilitate Kellwood's sourcing of Products, Designs shall provide Kellwood from time to time and as reasonably requested by Kellwood with forecasts of the quantity and type of Merchandise Designs intends to purchase under this Agreement in the reasonably foreseeable future, but in no event more than six months ahead of placing orders.

1.5 Maintenance of Records by Kellwood; Audit Rights. Kellwood shall provide to Designs summary and detailed invoice and Cost of Goods Sold information with respect to each purchase order Designs places under this Agreement. Kellwood shall maintain reasonably complete and accurate records of all Products ordered, in process, finished, or in transit sufficient to support such invoices and Cost of Goods Sold and shall at the request of Designs provide reasonable access to, or copies of, those records.

1.6 Post-Order Responsibility. Once a purchase order has been submitted to Kellwood, Designs may not materially modify or cancel that order without Kellwood's prior written consent, which shall not unreasonably be withheld. Designs may, however, modify or cancel without Kellwood's prior written consent a purchase order submitted to Kellwood if Kellwood fails to comply in any material respect with the terms of that purchase order, in which case the rights of Designs will be governed by the terms of that purchase order. Designs shall bear all out-of-pocket costs reasonably incurred by Kellwood as a result of any material modification or cancellation of a purchase order by Designs. Kellwood shall promptly advise Designs of any anticipated problems or delays in production or delivery and shall use commercially reasonable efforts to resolve any such problems.

1.7 Involvement by Kellwood Personnel. Kellwood will provide the dedicated services of such Kellwood personnel as may be reasonably necessary for the full performance of this Agreement.

Article 2 DELIVERY AND PAYMENT

2.1 Delivery of Products. Kellwood will be deemed to have completed delivery of any Products, and title risk of loss with respect to those Products will pass to Designs, F.O.B. Kellwood's shipping point.

(a) Kellwood will be responsible for clearing Products through customs in foreign and domestic ports.

2.2 Margin. The Product Cost for Products provided by Kellwood under this Agreement shall include a margin (the "Margin") equal to 15.5% of such Product Cost.

2.3 Cost of Goods Sold. The Product Cost charged by Kellwood to Designs and its Affiliates for any Products will be Kellwood's wholesale price of those Products, which includes the Cost of Goods Sold (as defined in Section 2.3) and the related Margins (as defined in Section 2.2.) The "Cost of Goods Sold" for each shipment of Products means actual costs for pre-production, plus sourcing or production costs, which will be comprised of the product purchase price or, if manufactured, the direct materials, direct labor and manufacturing overhead; plus freight-in, duty, commissions, or any other direct costs of purchasing or manufacturing the product. In addition, Cost of Goods Sold shall include properly allocable warehousing and distribution costs.

2.4 Payments for Products. On the later of (1) the date on which Products are delivered F.O.B. Kellwood shipping point and (2) the date designated in the purchase order for delivery of those Products, if that date is 10 days or more after the date of actual delivery of those Products, Kellwood shall notify Designs of the total amount due to Kellwood for the Product Cost for such Products. Within 60 days of Kellwood's presentation to Designs of Kellwood's invoice for any Products (the end of that 60-day period, the "Payment Deadline"), Designs or one of its Affiliates shall pay to Kellwood the Product Cost for those Products by wire transfer of immediately available funds to an account designated by Kellwood. Any amounts not paid by the Payment Deadline will accrue interest daily from the Payment Deadline until paid in full at an annual rate equal to the lesser of (1) the prime rate announced by Citibank, N.A. from time to time plus 3% and (2) the maximum rate allowed by law.

2.5 Claims. Kellwood shall, at the request of Designs, accept the return of Products rejected by Designs and, at the request of Designs, process appropriate claims against Kellwood or any third-party source of those rejected Products, including without limitation claims for refund or credit. To the extent that any financial settlement, payment, or other financial concession actually effected in connection with any such claims, and all such financial settlements, payments, or other financial concessions, together with the Product Cost of any defective Product, as specified in 1.3(e) exceeds 5% of the Minimum Quantity for the Contract Year, as specified in Section 1.2, such amount will be credited for purposes of determining Designs' compliance with its obligations under Section 1.2.

Article 3 TERM AND TERMINATION

3.1 Term. Unless terminated earlier as provided in this Agreement, the term of this Agreement is from the date of this Agreement until midnight on February 7, 2010, the last day of Designs' 2009-2010 fiscal year.

3.2 Termination. This Agreement may be terminated as follows:

- (1) at any time by written agreement of Kellwood and Designs;
- (2) by Designs upon 15 days' notice to Kellwood if any representation made in this Agreement by Kellwood was materially inaccurate when made, remains materially inaccurate, and is not cured prior to expiration of the 15-day period;
- (3) by Kellwood upon 15 days' notice to Designs if any representation made in this Agreement by Designs was materially inaccurate when made, remains materially inaccurate, and is not cured prior to expiration of the 15-day period;
- (4) by Designs immediately upon notice to Kellwood if Kellwood has materially breached any of its obligations under this Agreement and either of the following applies:
 - (A) that breach can reasonably be cured within a 60-day period from the date Designs notifies Kellwood of that breach and Kellwood has not cured that breach prior to expiration of that 60-day period; or
 - (B) that breach cannot reasonably be cured within that 60-day period and Kellwood does not commence curing that breach within that 60-day period and proceed diligently toward completing that cure, which cure must in any event be completed prior to expiration of a 120-day period from the date Designs notifies Kellwood of that breach;
- (5) by Kellwood immediately upon notice to Designs if Designs has materially breached any of its obligations under this Agreement and either of the following applies:
 - (A) that breach can reasonably be cured within a 60-day period from the date Kellwood notifies Designs of that breach and Designs has not cured that breach prior to expiration of that 60-day period; or
 - (B) that breach cannot reasonably be cured within that 60-day period and Designs does not commence curing that breach within that 60-day period and proceed diligently toward completing that cure, which cure must in any event be completed prior to expiration of a 120-day period from the date Kellwood notifies Designs of that breach;
- (6) by Designs immediately upon notice to Kellwood if there occurs a Bankruptcy Event with respect to Kellwood;
- (7) by Kellwood immediately upon notice to Designs if there occurs a Bankruptcy Event with respect to Designs; and
- (8) by either party upon notice to the other in the event that (x) the Casual Male Acquisition shall not have been consummated prior June 28, 2002 or (y) performance of this Agreement is rendered impossible for 180 consecutive days due to any Event of Force Majeure (as defined in Section 6.1).

3.3 Effects of Termination. In the event of the expiration or termination of

this Agreement for any reason, Kellwood will have no further liability or obligation to Designs under this Agreement except as otherwise provided in this Agreement, and except that this Agreement will govern the rights and obligations of the parties with respect to all orders for Products placed prior to expiration or termination of this Agreement.

3.4 Return of Materials. In the event of expiration or any termination of this Agreement for whatever reason, then within 15 calendar days following sale or other disposition of all Products delivered pursuant to this Agreement each party shall return to the other party all samples, books, records, designs, and materials of any kind belonging to the other party and all copies thereof.

3.5 Confidentiality. Neither party may disclose to any other Person any Confidential Information belonging to the other party that was disclosed under this Agreement. Upon the expiration or termination of this Agreement, each party will cease to use the other party's Confidential Information and shall return to the other party all tangible Confidential Information provided to it by the other party.

3.6 Copyright, Patent and Trademark Rights. Each of the parties reserves all property rights, including copyright, patent, and trademark rights, in all of their respective materials, publications, research, software, data, devices, designs, concepts, and trade names in connection with the products and services provided by Kellwood to Designs under this Agreement.

Article 4 REPRESENTATIONS

4.1 Representations of Designs. Designs represents to Kellwood as follows:

(a) Designs is a corporation validly existing and in good standing under the law of the State of Delaware.

(b) Designs' board of directors has duly authorized Designs to execute and deliver this Agreement and the Note and perform its obligations under this Agreement and the Note, and no other corporate proceedings of Designs are necessary with respect thereto.

(c) Each of this Agreement and the Note constitutes the valid and binding obligation of Designs, enforceable in accordance with its terms, except as enforceability is limited by (A) any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, or (B) general principles of equity, whether considered in a proceeding in equity or at law.

(d) Designs' execution and delivery of this Agreement and the Note and performance of its obligations hereunder and thereunder does not (1) violate any provision of the certificate of incorporation or bylaws of Designs as currently in effect, (2) conflict with, result in a breach of, constitute a default under (or an event that, with notice or lapse of time or both, would constitute a default under), accelerate the performance required by, result in the creation of any Lien upon any of the properties or assets of Designs under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, any Contract to which Designs is a party or by which any properties or assets of Designs are bound, or (3) violate any Law or Order to which Designs is subject, except, in the case of (2) or (3) above, for such conflict, breach, default, acceleration, Lien, or right, or notice as would not, individually or in the aggregate, have a material adverse effect on Designs and its subsidiaries taken as a whole.

(e) Designs is not required to obtain the Consent of any Person, including the Consent of any party to any Contract to which Designs is a party, in connection with execution and delivery of this Agreement and the Note and performance of its obligations hereunder.

4.2 Representations of Kellwood. Kellwood represents to Designs as follows:

(a) Kellwood is a corporation validly existing and in good standing under the law of the State of Delaware.

(b) Kellwood's Executive Committee of the board of directors has duly authorized Kellwood to execute and deliver this Agreement and perform its obligations under this Agreement, and no other corporate proceedings of Kellwood are necessary with respect thereto.

(c) This Agreement constitutes the valid and binding obligation of Kellwood, enforceable in accordance with its terms, except as enforceability is limited by (A) any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, or (B) general principles of equity, whether considered in a proceeding in equity or at law.

(d) Kellwood's execution and delivery of this Agreement and performance of its obligations hereunder does not (1) violate any provision of the certificate of incorporation or bylaws of Kellwood as currently in effect, (2) conflict with, result in a breach of, constitute a default under (or an event that, with notice or lapse of time or both, would constitute a default under), accelerate the performance required by, result in the creation of any Lien upon any of the properties or assets of Kellwood under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, any Contract to which Kellwood is a party or by which any properties or assets of Kellwood are bound, or (3) violate any Law or Order to which Kellwood is subject, except, in the case of (2) or (3) above, for such conflict, breach, default, acceleration, Lien, or right, or notice as would not, individually or in the aggregate, have a material adverse effect on Kellwood.

(e) Kellwood is not required to obtain the Consent of any Person, including the Consent of any party to any Contract to which Kellwood is a party, in connection with execution and delivery of this Agreement and performance of its obligations hereunder.

Article 5 PRODUCT LIABILITY

5.1 Warranty. Kellwood warrants that each Product supplied to Designs under this Agreement will:

- (a) be of merchantable quality, and fit for its purpose;
- (b) be free of any defects in the design, materials or workmanship;
- (c) be supplied free of all liens, claims and encumbrances; and
- (d) conform to all applicable consumer product labeling and safety standards.

5.2 Product Liability Insurance. Kellwood shall obtain and maintain product liability insurance on the Products supplied and such insurance will include a broad form Vendor's Endorsement covering Designs.

Article 6 MISCELLANEOUS

6.1 Force Majeure. Neither Designs nor Kellwood will be liable for any delays in the performance of this Agreement due to force majeure and causes beyond its reasonable control (each, a "Event of Force Majeure"), including without limitation fires, strikes, disputes, war, civil commotion, terrorist attacks, epidemics, floods, accidents, delays, shortages and laws, regulations, or requests of any Governmental Authority. Upon occurrence of an Event of Force Majeure, Designs will not be relieved of its obligations to make timely payments in accordance with this Agreement.

6.2 Status of Relationship. Kellwood's relationship with Designs under this Agreement is solely that of an independent contractor, and nothing contained in this Agreement will be deemed (1) to create a partnership or joint venture between Designs and Kellwood, (2) to cause Kellwood to be responsible in any way for the debts, liabilities, or obligations of Designs, or (3) to give either party the authority to bind or act for the other in any respect, except as specifically provided in this Agreement.

6.3 Governing Law. This Agreement is governed by the laws of the State of New York, without giving effect to principles of conflict of laws.

6.4 Jurisdiction; Service of Process. Any Proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement must be brought against any of the parties in the courts of the State of New York, County of New York, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and each of the parties consents to the jurisdiction of those courts (and of the appropriate appellate courts) in any such Proceeding and waives any objection to venue laid therein. Process in any such Proceeding may be served by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in Section 6.5. Nothing in this Section 6.4, however, affects the right of any party to serve legal process in any other manner permitted by law.

6.5 Notices. Every notice or other communication required or contemplated by this Agreement must be in writing and sent by one of the following methods: (1) personal delivery, in which case delivery is deemed to occur the day of delivery; (2) certified or registered mail, postage prepaid, return receipt requested, in which case delivery is deemed to occur the day it is officially recorded by the U.S. Postal Service as delivered to the intended recipient; (3) next-day delivery to a U.S. address by recognized overnight

delivery service such as Federal Express, in which case delivery is deemed to occur upon receipt; or (4) facsimile transmission, with written confirmation from the recipient of receipt of the transmission, in which case delivery is deemed to occur on the day of transmission (if transmitted by 5:00 p.m. New York time on a Business Day) or the next Business Day (if transmitted any other time). In each case, a notice or other communication sent to a party must be directed to the address for that party set forth below, or to another address designated by that party by written notice:

If to Kellwood, to:

Kellwood Company

600 Kellwood Parkway

Chesterfield, MO 63017

Attention: Thomas H. Pollihan, Esq.,

Senior Vice-President, Secretary and General Counsel

Facsimile: 314-576-3388

If to Designs, to:

Designs, Inc.

66 B Street

Needham, MA 02494

Attention: President

Facsimile: (781) 433-7462

6.6 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

6.7 Amendment; Waiver. This Agreement may not be amended except by an instrument in writing signed by or on behalf of each of the parties. No waiver by any party of any breach by any party of any of its obligations under this Agreement or any inaccuracy in any representation by any party in this Agreement will be deemed to extend to any other breach or inaccuracy or affect in any way any rights arising by virtue of any other breach or inaccuracy.

6.8 Entire Agreement. This Agreement, together with all exhibits and schedules hereto, constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations, and discussions, whether oral or written, of the parties. In the event of any direct conflict between this Agreement and any term of any purchase order of Designs with respect to Products purchased under this Agreement, this Agreement will govern.

6.9 Counterparts. This Agreement may be executed in several counterparts, each of which is an original and all of which together constitute one and the same instrument.

6.10 Assignment. No party may assign any of its rights or obligations under this Agreement without the prior consent of the other parties, except that Designs may at any time assign to any Affiliate of Designs any of its rights and obligations under this Agreement, on condition that concurrently with that assignment Kellwood, Designs, and that Affiliate enter into an amendment to this Agreement that (1) makes that Affiliate a party to this Agreement and (2) provides that Designs guarantees performance by that Affiliate of the assigned obligations. (a) This Agreement is binding in all respects upon, and inures to the benefit of, the successors and permitted assigns of the parties.

6.11 Reporting. Designs shall promptly furnish to Kellwood (i) monthly unaudited financial statements in form and reasonably satisfactory to Kellwood, (ii) a copy of each Borrowing Base Certificate furnished by Designs to its senior lenders, and (iii) such other information as to the financial condition of Designs as Kellwood shall reasonably request.

6.12 Definitions. When used in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any given Person, any other Person at the time directly or indirectly controlling, controlled by or under common control with that Person, or (2) any director, officer or employee of that Person. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person through ownership of voting securities.

"Bankruptcy Event" means with respect to any Person any of the following:

- (1) the institution by that Person of bankruptcy or insolvency proceedings;
- (2) the consent of that Person to the institution of bankruptcy or insolvency

proceedings against that Person;

(3) the filing by that Person of a petition seeking reorganization or release under applicable law, or the consent by that Person to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of that Person or of any substantial part of the property of that Person;

(4) the making by that Person of an assignment for the benefit of creditors; and

(5) the entry of an Order by a court having jurisdiction adjudging that Person bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of that Person under applicable law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of that Person, or of any substantial part of the property of that Person, or ordering the winding up or liquidation of the affairs of that Person, and (A) that Person consents to that decree or order or (B) that decree or order remains unstayed and in effect for more than 60 consecutive days.

"Confidential Information" of either party means any confidential or proprietary information of that party, and includes but is not limited to current or anticipated products, processes, know-how, customers, sales, business affairs, contractual arrangements, and the identity of Representatives, but does not include the following:

(1) information that is or becomes generally available to the public other than as a result of a breach of this Agreement by the receiving party or its Representatives;

(2) information that was within the receiving party's possession or knowledge prior to its being furnished to the receiving party by or on behalf of the disclosing party, on condition that the source of that information was not known by the receiving party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the disclosing party;

(3) information that is or becomes available to the receiving party on a non-confidential basis from a source other than the disclosing party or any of its Representatives, on condition that that source was not known after reasonable inquiry by the receiving party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the disclosing party or any other party with respect to that information; or

(4) information that is independently developed by the receiving party without use of Confidential Information or otherwise in a manner not consistent with this Agreement.

"Consent" means any approval, consent, ratification, filing, declaration, registration, waiver, or other authorization (including any Permit).

"Contract" means any written or unwritten agreement, contract, obligation, promise, arrangement, or undertaking that is legally binding, including any amendment or supplement thereto.

"Contract Year" means the fiscal year of Designs, except that Contract Year 1 begins on the date of this Agreement and ends at midnight on January 31, 2004, the last day of Designs' 2003-2004 fiscal year.

"Governmental Authority" means any (1) nation, state, county, city, town, village, district, or other jurisdiction of any nature, (2) federal, state, local, municipal, foreign, or other government, (3) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal, including an arbitral tribunal), (4) multi-national organization or body, and (5) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"Law" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

"Lien" means any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

"Order" means any award, decision, injunction, judgment, order, ruling, consent decree, subpoena, or verdict entered, issued, made, or rendered by any court, arbitral tribunal, administrative agency, or other Governmental Body.

"Permit" means any approval, consent, license, permit, waiver, or other

authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, Governmental Authority or other entity.

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority.

"Representative" means, with respect to any Person, any director, officer, employee, agent, consultant, advisor, or other representative of that Person, including legal counsel, accountants, and financial advisors.

The undersigned are executing this Agreement on the date stated in the introductory clause.

KELLWOOD COMPANY

By:

Name:
Title:

DESIGNS, INC.

By:
Name:
Title:

Jewelcor Management, Inc.
100 North Wilkes-Barre Boulevard
Wilkes-Barre, PA 18702

Ladies and Gentlemen:

This will confirm the agreement between Jewelcor Management, Inc. (the "Independent Contractor") and Designs, Inc. (the "Corporation") regarding the extension of the term of the Consulting Agreement between the Independent Contractor and the Corporation dated as of April 29, 2000 (the "Agreement"), and previously extended as of April 28, 2001 for a period of one year commencing on April 29, 2001 and ending on April 28, 2002.

1. The term of the Agreement shall be extended for an additional period of one (1) year commencing on April 29, 2002 and ending on April 28, 2003. Unless the context otherwise requires, April 28, 2003 shall be the "Expiration Date" of the Agreement as so extended.

2. Subject to the provisions of Section 4 of the Agreement, the consideration to be furnished to the Independent Contractor by the Corporation for the Services rendered by the Independent Contractor under the Agreement during the period from April 29, 2002 through April 28, 2003 shall consist of (a) 60,659 non-forfeitable, fully paid and non-assessable shares of the Corporation's Common Stock (the fair value of which Common Stock on April 29, 2002, the date of the extension of the Agreement as set forth herein, was \$276,000 or \$4.55 per share) and (b) the reimbursement of actual and direct out-of-pocket expenses incurred by the Independent Contractor in the rendering of Services under the agreement.

The remaining terms of the Agreement shall remain in full force and effect without change. For the avoidance of doubt, the parties hereby agree and acknowledge that the foregoing extension does not change the compensation or other rights or obligations of the parties originally provided in the Agreement with respect to any prior period.

Very truly yours,
Designs, Inc.

Agreed and Accepted:
Jewelcor Management, Inc.