SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

Quarter Ended July 31, 1999   Commission File Number   0-15898

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

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

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

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

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

Yes   X   No

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

Class	Outstanding as of July 31, 1999
Common	15,973,000

DESIGNS, INC.
CONSOLIDATED BALANCE SHEETS
July 31, 1999, August 1, 1998 and January 30, 1999
(In thousands, except per share data)

ASSETS	July 31, 1999 (Unaudited)	August 1, 1998 (Unaudited)	January 30, 1999
Current assets:			
Cash and cash equivalents	$ 1,868	$ 1,079	$ 153
Short-term restricted investment	2,300	-	-
Accounts receivable	273	166	178
Inventories	61,198	62,176	57,925
Deferred income taxes	272	4,777	272
Prepaid expenses	1,033	4,885	911

Total current assets	66,944	73,083	59,439
Property and equipment, net of accumulated depreciation and amortization	17,518	29,990	17,788
Other assets:			
Deferred income taxes	19,307	6,362	18,570
Intangible assets, net	2,492	2,787	2,628
Other assets	3,988	934	892
Total assets	$ 110,249	$ 113,156	$ 99,317
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 12,379	$ 17,582	$ 8,716
Accrued expenses and other current liabilities	6,471	6,832	6,433
Accrued rent	2,222	3,259	2,015
Reserve for severance and store closings	2,253	310	4,372
Notes payable	24,168	4,626	13,825
Total current liabilities	47,493	32,609	35,361
Minority interest	-	4,276	-
Stockholders' equity:			
Preferred Stock, $0.01 par value, 1,000,000 shares authorized, none issued			
Common Stock, $0.01 par value, 50,000,000 shares authorized, 16,260,000, 16,145,000, and 16,178,000 shares issued at July 31, 1999, August 1, 1998 and January 30, 1999, respectively	162	161	162
Additional paid-in capital	54,078	53,862	53,908
Retained earnings	10,454	24,249	11,854
Treasury stock at cost, 286,650 shares at July 31, 1999 and January 30, 1999 and 281,000 shares at August 1, 1998	(1,830)	(1,827)	(1,830)
Deferred compensation	(108)	(174)	(138)
Total stockholders' equity	62,756	76,271	63,956
Total liabilities and stockholders' equity	$ 110,249	$ 113,156	$ 99,317

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

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

	Three Months Ended		Six Months Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
Sales	$ 42,907	$ 47,078	$ 82,742	$ 90,478
Cost of goods sold including occupancy	31,519	37,741	61,137	71,765
Gross profit	11,388	9,337	21,605	18,713
Expenses:				
Selling, general and administrative	10,519	11,767	20,111	23,713
Depreciation and amortization	1,561	2,738	3,287	5,229
Total expenses	12,080	14,505	23,398	28,942

Operating loss	(692)	(5,168)	(1,793)	(10,229)
Interest expense, net	159	96	478	267
Loss before minority interest and income taxes	(851)	(5,264)	(2,271)	(10,496)
Less minority interest	-	(190)	-	(416)
Loss before income taxes	(851)	(5,074)	(2,271)	(10,080)
Benefit for income taxes	(315)	(1,980)	(873)	(3,934)
Net loss	$ (536)	$ (3,094)	$ (1,398)	$ (6,146)
Loss per share- Basic and Diluted	$ (0.03)	$ (0.20)	$ (0.09)	$ (0.39)
Weighted average number of common shares outstanding- Basic and Diluted	15,891	15,773	15,890	15,755

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

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

	Six months ended	
	July 31, 1999	August 1, 1998
Cash flows from operating activities:		
Net loss	(1,398)	(6,146)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	3,287	5,229
Minority interest	-	(415)
Loss from disposal of property and equipment	-	204
Changes in operating assets and liabilities:		
Accounts receivable	(95)	49
Inventories	(3,273)	(7,204)
Prepaid expenses	(122)	(3,870)
Other assets	(3,638)	(651)
Reserve for severance and store closings	(2,119)	(1,490)
Income taxes	(737)	9,080
Accounts payable	3,661	8,761
Accrued expenses and other current liabilities	37	832
Accrued rent	207	509
Net cash (used for) provided by operating activities	(4,190)	4,888
Cash flows from investing activities:		
Additions to property and equipment	(2,411)	(216)
Establishment of investment trust (see note 8)	(2,300)	
Proceeds from disposal of property and equipment	73	100
Net cash used for investing activities	(4,638)	(116)
Cash flows from financing activities:		
Net borrowings (repayments) under credit facility	10,343	(5,202)
Issuance of common stock (1)	200	36

Net cash provided by (used for) financing activities	10,543	(5,166)
Net increase (decrease) in cash and cash equivalents	1,715	(394)
Cash and cash equivalents:		
Beginning of the period	153	1,473
End of the period	1,868	1,079

(1) Net of related tax effect.

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

DESIGNS, INC.
Notes to Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended January 30, 1999 (filed on Form 10-K, as amended, with the Securities and Exchange Commission). The information set forth in these statements is 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. Minority Interest

On January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company ("Designs JV Subsidiary"), and LDJV Inc., a subsidiary of Levi's Only Stores, Inc. ("LOS"), which is a wholly-owned subsidiary of Levi Strauss & Co., entered into a partnership agreement for the purpose of selling Levi's(R) brand jeans and jeans-related products in Original Levi's Stores(TM) and Levi's(R) Outlet stores in a specified territory. The joint venture was known as The Designs/OLS Partnership (the "OLS Partnership").

In October 1998, the Company reached an agreement with LOS to dissolve and wind up the OLS Partnership. Pursuant to this agreement, the OLS Partnership distributed to Designs JV Subsidiary 11 Levi's(R) Outlet stores, with a net book value of approximately $6.3 million. In addition, the OLS Partnership distributed three Original Levi's Stores(TM) to LDJV Inc. The net book value of these three Original Levi's Stores(TM) was approximately $5.5 million, which was greater than LDJV Inc.'s equity interest in the OLS Partnership. Consequently, LDJV Inc. made a $2.9 million capital contribution of cash to the OLS Partnership at October 31, 1998.

Additionally, in connection with the plan to dissolve and wind up the OLS Partnership, the OLS Partnership recorded a pre-tax charge of $4.5 million during the third quarter of fiscal 1998, related to the closing of the eight Original Levi's Stores(TM) that it did not distribute. This $4.5 million charge was included in the total $13.4 million charge recorded by the Company and discussed in Note 3 below. The total estimated cost to close these stores was $1.3 million less than the original charge, primarily due to favorable lease termination payments. This $1.3 million was part of the total $2.9 million that the Company recognized as restructuring income in the fourth quarter of fiscal 1998. All eight of these stores were closed by the end of fiscal 1998.

The operating results of the OLS Partnership are consolidated with the financial statements of the Company for the three and six months ended August 1, 1998. Minority interest at August 1, 1998 represents LDJV Inc.'s

30% interest in the OLS Partnership.

3. Charge for Store Closings

During the third quarter of fiscal 1998, the Company announced its plans to close 22 unprofitable Designs and Boston Trading Co.(R)/BTC(TM) stores through lease terminations and expirations. This store closing strategy and the dissolution of the joint venture discussed above resulted in the Company recording a pre-tax charge of $13.4 million, or $0.47 per share after tax. The total revised estimated cost to close these stores is $10.5 million, which is $2.9 million less than the original charge, primarily due to favorable landlord negotiations on lease termination payments. As a result, the Company recognized pre-tax income of $2.9 million in the fourth quarter of fiscal 1998. Total estimated cash costs are expected to be $4.2 million related to lease terminations, employee severance and other related expenses. The remainder of the $10.5 million charge consists of non-cash costs of approximately $6.3 million in store fixed asset write-offs. All of these stores were closed by the end of fiscal 1998. At July 31, 1999, the remaining reserve balance related to these store closings is $963,000 which primarily relates to landlord settlements that the Company anticipates will be paid in fiscal 1999.

During the fourth quarter of fiscal 1998, the Company recorded additional store closing and severance reserves of $5.2 million, or $0.20 per share after tax, related to the decision to close three BTC(TM) stores, one Designs store, and four Boston Traders(R) Outlet stores and to further reduce corporate headcount. This pre-tax charge included cash costs of approximately $2.9 million related to lease terminations and corporate severance, and $2.3 million of non-cash costs related to store fixed asset write-offs and markdowns. At July 31, 1999, the remaining reserve balance related to these store closings is $2.4 million which primarily relates to landlord settlements and reserves for the write-off of fixed assets.

The combined earnings and cash flow benefits of the third and fourth quarter fiscal 1998 charges are expected, barring unforeseen circumstances, to be $8.5 million and $13.5 million, respectively, for both fiscal 1999 and 2000.

4. Boston Trading Ltd., Inc. Litigation

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

5. Credit Facility

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

In the third quarter of fiscal 1998, the Credit Agreement was amended to, among other things, permit and acknowledge the Company's acquisition of nine Levi's(R) Outlet stores and 16 Dockers(R) Outlet stores from LOS and to permit and acknowledge the transactions associated with the dissolution and winding up of the OLS Partnership. These amendments included an increase in the minimum tangible net worth that the Company must have, which was adjusted to recognize the value of the assets distributed to the Company by the OLS Partnership. Prior to these amendments, the tangible net worth of the OLS Partnership was excluded from the calculation of the Company's tangible net worth for purposes of these financial covenants. Subject to certain limitations and conditions, the Credit Agreement permits the Company, without the prior permission of the lenders, to consummate certain acquisitions and to repurchase shares of the Company's Common Stock. These amendments, among other things, reduced the amount that the Company may expend for such purposes without obtaining the prior permission of its lenders.

At July 31, 1999 the Company had borrowings of approximately $23.2 million outstanding under this facility and had four outstanding standby letters of credit totaling approximately $1,036,250. Average borrowings outstanding under this credit facility for the first six months of fiscal 1999 were approximately $15.6 million. The Company was in compliance with all debt covenants under the Credit Agreement at the end of the second quarter.

6. Net Loss Per Share

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

(In thousands)	For the three months ended 7/31/99	8/1/98	For the six months ended 7/31/99	8/1/98
Basic weighted average common shares outstanding	15,891	15,773	15,890	15,755
Stock options, excluding anti-dilutive options of 127 shares and 133 shares for the three and six months ended July 31, 1999, respectively, and 2 shares and 7 shares for the three and six months ended August 1, 1998, respectively	--	--	--	--
Diluted weighted average shares Outstanding	15,891	15,773	15,890	15,755

Options to purchase shares of the Company's Common Stock of 1,758,700 and 1,749,950 for the three and six months ended July 31, 1999, respectively, were excluded from the computation of diluted EPS because the exercise price of the options was greater than the average market price per share of Common Stock for the periods reported. For both the three and six months ended August 1, 1998, 1,921,000 options were excluded from the computation of diluted earnings per share.

7. Segment Disclosures

The Company operates its business under two reportable store segments (i) Outlet Store Group and (ii) Specialty Store Group. The Company also has included a segment for Closed stores and other which includes the operations of all closed stores and stores that are expected to close in fiscal 1999.

Outlet Store Group: At July 31, 1999, this store group included the Company's 65 Levi's(R) and Dockers(R) Outlets by Designs stores, 20 Levi's(R) Outlet stores, 16 Dockers(R) Outlet stores and five Buffalo Jeans Factory Stores. These outlet stores all operate in outlet parks located throughout the eastern United States and primarily sell close out and end-of-season merchandise from vendors.

Specialty Store Group: At July 31, 1999, this store group consisted of five Designs stores that the Company intends to operate through fiscal 1999. These stores are located in enclosed regional shopping centers and offer a broad selection of Levi Strauss & Co. branded merchandise together with other complementary brands of tops and bottoms.

Closed Stores and Other: This group included the Designs, Boston Trading Co.(R)/BTC(TM) and Boston Traders(R) Outlet stores that were closed as part of prior store closing programs and the 11 Original Levi's Stores(TM) that were distributed to LDJV Inc or closed as part of the dissolution of the joint venture. Also included in this segment are the two BTC(TM) stores that are planned, barring unforeseen circumstances, to close by the end of fiscal 1999.

The Company evaluates individual store profitability in terms of a store's "Contribution to Profit" which is defined by the Company as gross margin less occupancy costs and all store specific expenses such as payroll, advertising, insurance and depreciation. The Company may transfer end of season merchandise from its Specialty stores to its Outlet stores. Transfers represented approximately five percent of the Outlet stores' total receipts in fiscal 1998. The Company transfers merchandise at the receiving store's retail price with any associated markdowns being recorded by the sending store.

Below is a summary of the results of operations for each of the reportable segments for the three and six months ended July 31, 1999 and August 1, 1998:

For the three months ended July 31, 1999

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$41,128	$1,322	$457	$42,907
Merchandise margin	17,512	355	(244)	17,623
Occupancy costs	5,624	408	203	6,235
Gross margin	11,888	(53)	(447)	11,388
Contribution to profit	4,044	(420)	(864)	2,760

For the three months ended August 1, 1998

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$33,922	$1,893	$11,263	$47,078
Merchandise margin	13,467	565	4,127	18,159
Occupancy costs	4,276	491	4,055	8,822
Gross margin	9,191	74	72	9,337
Contribution to profit	3,728	(358)	(4,213)	(843)

For the six months ended July 31, 1999

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$78,042	$2,866	$1,834	$82,742
Merchandise margin	32,929	884	291	34,104
Occupancy costs	10,926	826	747	12,499
Gross margin	22,003	58	(456)	21,605
Contribution to profit	7,343	(702)	(1,337)	5,304
Segment Assets:				
Inventory	58,992	2,014	192	61,198

Fixed assets, net	11,511	757	5,250 (1)	17,518

For the six months ended August 1, 1998

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$63,202	$3,801	$23,475	$ 90,478
Merchandise margin	26,311	922	9,359	36,592
Occupancy costs	8,444	992	8,443	17,879
Gross margin	17,867	(70)	916	18,713
Contribution to profit	6,838	(897)	(7,643)	(1,702)
Segment Assets:				
Inventory	47,135	1,904	13,137	62,176
Fixed assets, net	6,207	1,033	22,750 (1)	29,990

(1) Fixed assets for the Closed Stores and Other includes fixed assets for the corporate office which were $5.3 million and $7.8 million as of July 31, 1999 and August 1, 1998, respectively.

Reconciliation of Contribution to Profit to Operating Loss

For the:	three months		six months	
(in thousands)	7/31/99	8/1/98	7/31/99	8/1/98
Contribution to Profit:				
Outlet store segment	$4,044	$3,728	$7,343	$6,838
Specialty store segment	(420)	(358)	(702)	(897)
Closed store and other	(864)	(4,213)	(1,337)	(7,643)
General and Administrative Expenses	(3,452)	(4,325)	(7,097)	(8,527)
Total Operating Loss	$(692)	$(5,168)	$(1,793)	$(10,229)

8. Establishment of Trust

In May 1999, the Company deposited $2.3 million in a trust established for the purpose of securing pre-existing obligations of the Company to Mr. Joel H. Reichman, Mr. Scott N. Semel and Mrs. Carolyn R. Faulkner under their employment agreements. These funds will be held in a trust to pay the amounts that may become due under the employment agreements in the event of a change-in-control of the Company and also to pay any amounts that may become due to them pursuant to indemnification agreements and the Company's by-laws.

9. Recently Issued Accounting Standards

The Financial Accounting Standards Board issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Accounting - Deferral of the Effective Date of SFAS No. 133 in July 1999. SFAS No. 133 is now effective for all fiscal quarters of all fiscal years beginning after June 15, 2000; earlier adoption is allowed. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of the those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company has not yet determined the effect that adoption of SFAS No. 133 will have or when the provisions of the statement will be adopted. However, the Company currently expects that, due to its relatively limited use of derivative instruments, the adoption of SFAS No. 133 will not have material effect on the Company's results of operations or financial position.

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

RESULTS OF OPERATIONS

Sales

Set forth below are the Company's total sales and comparable store sales for the three and six months ended July 31, 1999 and August 1, 1998. Of the 111 stores the Company operated as of July 31, 1999, 62 were comparable stores.

(In thousands, except (percentage data)	Total Sales July 31, 1999	August 1, 1998	Percentage Change at July 31, 1999
For the three months ended:			
Comparable Stores	$29,311	$31,276	(6.3%)
New and Remodeled Stores(1)	11,583	2,639	338.9%
Closed Stores(2)	2,013	13,163	(84.7%)
Total Sales	$42,907	$47,078	(8.9%)
For the six months ended:			
Comparable Stores	$57,094	$58,450	(2.3%)
New and Remodeled Stores(1)	20,852	5,163	303.9%
Closed Stores(2)	4,796	26,865	(82.1%)
Total Sales	$82,742	$90,478	(8.6%)

(1) New and Remodeled Stores include stores that have been operating less than 13 months or are currently in the process of being remodeled.
(2) Closed Stores include stores scheduled to close in fiscal 1999 as part of the Company's fiscal 1998 restructuring program.

The $4.2 million decline in total sales for the three months ended July 31, 1999 as compared with the same period in the prior year is comprised of a $11.2 million decrease related to the closure of 34 stores and a $1.9 million decrease in comparable store sales. This $13.1 million decrease was substantially offset by sales from new and remodeled stores totaling $8.9 million in fiscal 1999. Similarly, the $7.7 million decrease in total sales for the for the six months ended July 31, 1999 as compared with the same period in the prior year is comprised of a $22.1 million decrease related to the closure of 34 stores and a $1.4 million decrease in comparable store sales. This $23.5 million decrease was substantially offset by sales from new and remodeled stores totaling $15.7 million in fiscal 1999. The Company's Outlet Store segment, which represents approximately 93% of sales, had a comparable store sales decline of 5% for the three months ended July 31, 1999 and was flat for the year to date period ending July 31, 1999 as compared to the same periods in the prior year.

Comparable store sales for the month of August declined 4%. This decrease in comparable store sales was comprised of a 8% decrease in the first half of the month partially offset by a 6% increase as the Company entered into its important fall season. Positive comparable store sale trends continued through September 12, 1999, with month to date total comparable store sales increasing $247,000 or 4%. Comparable Outlet store sales increased 383,000 or 6% through September 12, 1999.

Gross Margin

Set forth below are merchandise and gross margin rates and occupancy costs as a percentage of total sales for the three and six months ended July 31, 1999 and August 1, 1998.

	Gross Margin Rate July 31, 1999	August 1, 1998	Percentage Change at July 31, 1999
For the three months ended:			
Merchandise Margin	41.1%	38.6%	6.5%
Occupancy Costs	14.6%	18.8%	(22.3%)
Gross Margin	26.5%	19.8%	33.8%
For the six months ended:			
Merchandise Margin	41.2%	40.4%	2.0%
Occupancy Costs	15.1%	19.7%	(23.4%)
Gross Margin	26.1%	20.7%	26.1%

The 6.7 percentage point increase in gross margin for the three months ended July 31, 1999 compared to the same period in the prior year is due to a 4.2 percentage point improvement in occupancy as a percentage of sales and a 2.5 percentage point increase in merchandise margins. Similarly, the

5.4 percentage point increase in gross margin for the six months ended July 31, 1999 as compared to the same period in the prior year is due to the positive leveraging of occupancy of 4.6 percentage points and an increase in merchandise margins of 0.8 percentage points. The increase in merchandise margins is the result of higher initial margins offset slightly by increased promotional markdowns.

This year-to-date improvement in gross margin rate continued subsequent to the end of the second quarter. For the month of August, the Company recorded gross margin of 33.9 percent of sales as compared to 29.1 percent of sales for the same period in the prior year. Consistent with the year-to-date results through July 31, 1999, this 4.8 percentage point increase was the result of 3.6 percentage points improvement in occupancy and a 1.2 percentage point increase in merchandise margins.

Selling, General and Administrative Expenses
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Set forth below is certain information concerning the Company's selling, general and administrative expenses for the three and six months ended July 31, 1999 and August 1, 1998.

(In thousands, except percentage data)	July 31, 1999 $	% of sales	August 1, 1998 $	% of sales
For the three months ended	$10,519	24.5%	$ 11,767	25.0%
For the six months ended	20,111	24.3%	23,713	26.2%

The $1.2 million or 10.6% decrease in selling, general and administrative expenses for the three months ended July 31, 1999 as compared with the same period in the prior year was primarily due to the expense reduction actions taken in fiscal 1998 and 1997 as well as ongoing expense reduction programs. Store payroll expense, the largest component of selling, general and administrative expenses, was 11.9 percent of sales in the second quarter, compared with 11.6 percent of sales for the same period in the prior year. This slight increase in store payroll was the result of initial payroll costs incurred related to new and remodeled store openings. The $3.6 million or 15.2% decrease in selling, general and administrative expenses for the six months ended July 31, 1999 is similarly due to the expense reduction efforts of the Company described above.

Continuing through August, the Company incurred selling, general and administrative expense for the month of August of $3.5 million or 16.5% of sales as compared to $4.4 million or 20.5% of sales for the same period in the prior year. Store payroll for the month of August was 7.6% of sales as compared to 8.0% for the same period in the prior year.

Depreciation and Amortization
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Set forth below are depreciation and amortization expenses for the Company for the three and six months ended July 31, 1999 and August 1, 1998.

(In thousands, except percentage data)	July 31, 1999	August 1, 1998	Percentage Change at July 31, 1999
For the three months ended	$1,561	$2,738	(43.0%)
For the six months ended	3,287	5,229	(37.1%)

The decrease in depreciation and amortization expenses for the three and six months ended July 31, 1999 as compared to the same periods in the prior year is principally due to the write off of fixed assets in fiscal 1998 as part of the Company's store closing program, offset slightly by increases in depreciation on new and remodeled stores.

Interest Expense, Net
- ---------------------

Interest expense was $159,000 and $96,000 for the three months ended July 31, 1999 and August 1, 1998, respectively. For the six months ended July 31, 1999 and August 1, 1998 interest expense was $478,000 and $267,000, respectively. These increases in interest expense for the three and six months ended July 31, 1999 as compared to the prior year are attributable to higher average borrowing levels under the Company's revolving credit facility.

Net Profit/Loss
- ---------------

Set forth below is the net loss for the Company for the three and six months ended July 31, 1999 and August 1, 1998.

(In thousands, except per share data)	Net Loss July 31, 1999 $	per share	August 1, 1998 $	per share
Three months ended	$ (536)	$(0.03)	$(3,094)	($0.20)
Six months ended	(1,398)	(0.09)	(6,146)	(0.39)

In the first six months of fiscal 1999, the Company had almost eliminated operating losses compared to the same period a year ago, having reduced net losses by 77.3% as compared to the prior year. This improvement continued subsequent to the end of the second quarter. For the month of August 1999, the Company had net income of $1.8 million or $0.11 per share as compared to $531,000 or $0.03 per share for the same month in the prior year.

For the seven months ended August 28, 1999, the Company returned to profitability, having earned net income of $408,000 or $0.03 per share as compared to a net loss of $5.6 million or $0.36 per share for the same seven month period in the prior year.

Segment Information

The Company operates its business under two reportable store segments (i) Outlet Store Group and (ii) Specialty Store Group. The Company also has included a segment for Closed stores and other which includes the operations of all closed stores and stores that are expected to close in fiscal 1999.

Outlet Store Group: At July 31, 1999, this store group included the Company's 65 Levi's(R) and Dockers(R) Outlets by Designs stores, 20 Levi's(R) Outlet stores, 16 Dockers(R) Outlet stores and five Buffalo Jeans Factory Stores. These outlet stores all operate in outlet parks located throughout the eastern United States and primarily sell close out and end-of-season merchandise from vendors.

Specialty Store Group: At July 31, 1999, this store group consisted of five Designs stores that the Company intends to operate through fiscal 1999. These stores are located in enclosed regional shopping centers and offer a broad selection of Levi Strauss & Co. branded merchandise together with other complementary brands of tops and bottoms.

Closed Stores and Other: This group included the Designs, Boston Trading Co.(R)/BTC(TM) and Boston Traders(R) Outlet stores that were closed as part of prior store closing programs and the 11 Original Levi's Stores(TM) that were distributed to LDJV Inc or closed as part of the dissolution of the joint venture. Also included in this segment are the two BTC(TM) that are planned, barring unforeseen circumstances, to close by the end of fiscal 1999.

The Company evaluates individual store profitability in terms of a store's "Contribution to Profit" which is defined by the Company as gross margin less occupancy costs and all store specific expenses such as payroll, advertising, insurance and depreciation. The Company may transfer end of season merchandise from its Specialty stores to its Outlet stores. Transfers represented approximately five percent of the Outlet stores' total receipts in fiscal 1998. The Company transfers merchandise at the receiving store's retail price with any associated markdowns being recorded by the sending store.

Below is a summary of the results of operations for each of the reportable segments for the three and six months ended July 31, 1999 and August 1, 1998:

For the three months ended July 31, 1999

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$41,128	$1,322	$457	$42,907
Merchandise margin	17,512	355	(244)	17,623
Occupancy costs	5,624	408	203	6,235
Gross margin	11,888	(53)	(447)	11,388
Contribution to profit	4,044	(420)	(864)	2,760

For the three months ended August 1, 1998

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$33,922	$1,893	$11,263	$47,078
Merchandise margin	13,467	565	4,127	18,159
Occupancy costs	4,276	491	4,055	8,822
Gross margin	9,191	74	72	9,337
Contribution to profit	3,728	(358)	(4,213)	(843)

For the six months ended July 31, 1999

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$78,042	$2,866	$1,834	$82,742
Merchandise margin	32,929	884	291	34,104
Occupancy costs	10,926	826	747	12,499
Gross margin	22,003	58	(456)	21,605
Contribution to profit	7,343	(702)	(1,337)	5,304
Segment Assets:				
Inventory	58,992	2,014	192	61,198
Fixed assets, net	11,511	757	5,250 (1)	17,518

For the six months ended August 1, 1998

(in thousands)	Outlet	Specialty	Closed and Other	Total
Sales	$63,202	$3,801	$23,475	$ 90,478
Merchandise margin	26,311	922	9,359	36,592
Occupancy costs	8,444	992	8,443	17,879
Gross margin	17,867	(70)	916	18,713
Contribution to profit	6,838	(897)	(7,643)	(1,702)
Segment Assets:				
Inventory	47,135	1,904	13,137	62,176
Fixed assets, net	6,207	1,033	22,750 (1)	29,990

(2) Fixed assets for the Closed Stores and Other includes fixed assets for the corporate office which were $5.3 million and $7.8 million as of July 31, 1999 and August 1, 1998, respectively.

Reconciliation of Contribution to Profit to Operating Loss

For the: (in thousands)	three months 7/31/99	three months 8/1/98	six months 7/31/99	six months 8/1/98
Contribution to Profit:				
Outlet store segment	$4,044	$3,728	$7,343	$6,838
Specialty store segment	(420)	(358)	(702)	(897)
Closed store and other	(864)	(4,213)	(1,337)	(7,643)
General and Administrative Expenses	(3,452)	(4,325)	(7,097)	(8,527)
Total Operating Loss	$ (692)	$(5,168)	$(1,793)	$(10,229)

STORE CLOSING PROGRAMS

During the third quarter of fiscal 1998, the Company announced its plans to close 22 unprofitable Designs and Boston Trading Co.(R)/BTC(TM) stores through lease terminations and expirations. This store closing strategy resulted in the Company recording a pre-tax charge of $13.4 million, or $0.47 per share after tax, related to the closing of these Designs and Boston Trading Co.(R)/BTC(TM) stores and the eight Original Levi's Stores(TM) closed by the joint venture. The total revised estimated cost to close these stores is 10.5 million, which is $2.9 million less than the original charge, primarily due to favorable landlord negotiations on lease termination payments. As a result, the Company recognized pre-tax income of $2.9 million in the fourth quarter of fiscal 1998. Total estimated cash costs are expected to be $4.2 million related to lease terminations, employee severance and other related expenses. The remainder of the $10.5 million charge consists of non-cash costs of approximately $6.3 million in store fixed asset write-offs. All of these stores were closed by the end of fiscal 1998. At July 31, 1999, the remaining reserve balance related to these store closings is $963,000 which primarily relates to landlord settlements that the Company anticipates will be paid in fiscal 1999.

During the fourth quarter of fiscal 1998, the Company recorded additional store closing and severance reserves of $5.2 million, or $0.20 per share after tax, related to the decision to close three BTC(TM) stores, one Designs store, and four Boston Traders(R) Outlet stores and to further reduce corporate headcount. This pre-tax charge included cash costs of approximately $2.9 million related to lease terminations and corporate severance, and $2.3 million of non-cash costs related to store fixed asset write-offs and markdowns. At July 31, 1999, the remaining reserve balance related to these store closings is $2.4 million which primarily relates to landlord settlements and reserves for the write-off of fixed assets.

The combined earnings and cash flow benefits of the third and fourth quarter charges are expected, barring unforeseen circumstances, to be $8.5 million and $13.5 million, respectively, for both fiscal 1999 and 2000.

SEASONALITY

The Company's business historically has been seasonal, reflecting increased consumer buying in the "Fall" and "Holiday" seasons. Historically, the second half of each fiscal year provides a greater portion of the Company's annual sales and operating income. In recent years, the Company's focus has shifted towards its outlet store business. The percentage of the Company's outlet business has increased because of the shift in the Company's store mix to outlet stores and away from mall-based specialty stores.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash needs have been for operating expenses, including cash outlays associated with inventory purchases, capital expenditures for new and remodeled stores, and the purchase of 25 outlet stores from Levi's Only Stores, Inc. in fiscal 1998. During fiscal 1999, the Company expects to incur capital expenditures, net of landlord construction allowances, related to building new outlet stores and outlet store remodels and relocations and system enhancements of $2.6 million. The Company expects that cash flow from operations, short-term revolving borrowings and trade credit will enable it to finance its current working capital, store remodeling and opening requirements.

WORKING CAPITAL AND CASH FLOWS

To date, the Company has financed its working capital requirements, store opening and store closing programs and remodeling programs with cash flow from operations, income tax refunds, and borrowings under the Company's credit facility. Cash used for operations for the first six months of fiscal 1999 was $4.2 million as compared to cash provided for operations of $4.9 million for the same period in the prior year. This $9.1 million change is primarily the result of the receipt of a federal income tax refund of $12.9 million received in the first quarter of fiscal 1998.

Unrestricted cash and investment position at July 31, 1999 was $1.9 million as compared to $1.1 million at August 1, 1998. At July 31, 1999, the Company had borrowings of approximately $23.2 million outstanding under its revolving credit facility as compared to $3.6 million at August 1, 1998. The increase in the Company's net borrowing position at July 31, 1999 as compared to August 1, 1998 is primarily due to the $12.9 million income tax refund received in the first quarter of fiscal 1998. In addition, in September 1998, the Company purchased from Levi's Only Stores, Inc. 16 Dockers(R) Outlet stores and nine Levi's(R) Outlet stores for $9.7 million, which was financed by borrowings under the Company's credit facility. The Company expects that average borrowings for fiscal 1999 will be higher than those in fiscal 1998 as a result of borrowings in the third quarter of fiscal 1998 to fund the acquisition of the 25 outlet stores, increases in fiscal 1999 inventory purchases and the cost of lease terminations associated with the closing of unprofitable stores, as described above. At the end of August 1999, the Company had borrowings of $21.1 million outstanding under its revolving credit facility as compared to $23.3 million at the end of the second quarter of fiscal 1999.

In May 1999, the Company deposited $2.3 million in a trust established for the purpose of securing pre-existing obligations of the Company to Mr. Joel

H. Reichman, Mr. Scott N. Semel and Mrs. Carolyn R. Faulkner under their employment agreements. These funds will be held in a trust to pay the amounts that may become due under the employment agreements in the event of a change in control of the Company and also to pay any amounts that may become due to them pursuant to indemnification agreements and the Company's by-laws.

The Company's working capital at July 31, 1999 was approximately $19.5 million, compared to $40.5 million at August 1, 1998. This decrease in working capital was primarily attributable to operating losses for the twelve months ending July 31, 1999 and costs incurred as part of the Company's store closing program in fiscal 1998. At July 31, 1999, total inventory equaled $61.2 million, compared to $62.2 million at August 1, 1998. The decrease of 2 percent in the Company's inventory level was primarily due to store closings in fiscal 1998 offset by new stores.

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

At July 31, 1999, the accounts payable balance was $12.4 million as compared with a balance of $17.6 million at August 1, 1998. This 29.6 percent decrease was primarily related to the timing of payments to vendors. The Company's trade payables to Levi Strauss & Co., its principal vendor, generally are due 30 days after the date of invoice. The Company expects, barring unforeseen circumstances, that any purchases of branded merchandise from vendors other than Levi Strauss & Co. will be limited and will be in accordance with customary industry credit terms.

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

In the third quarter of fiscal 1998, the Credit Agreement was amended to, among other things, permit and acknowledge the Company's acquisition of nine Levi's(R) Outlet and 16 Dockers(R) Outlet stores from Levi's Only Stores, Inc. and to permit and acknowledge the transactions associated with the dissolution and winding up of The Designs/OLS Partnership (the "OLS Partnership"). These amendments include an increase in the minimum tangible net worth that the Company must have, which was adjusted to recognize the value of the assets distributed to the Company by the OLS Partnership. Prior to these amendments, the tangible net worth of the OLS Partnership was excluded from the calculation of the Company's tangible net worth for purposes of these financial covenants. Subject to certain limitations and conditions, the Credit Agreement permits the Company, without the prior permission of the lenders, to consummate certain acquisitions and to repurchase shares of the Company's Common Stock. These amendments, among other things, reduced the amount that the Company may expend for such purposes without obtaining the prior permission of its lenders.

At July 31, 1999, the Company had borrowings of $23.2 million outstanding under this facility and had four outstanding standby letters of credit totaling approximately $1,036,250. The Company was in compliance with all debt covenants at the end of the second quarter.

On May 2, 1995, the Company acquired certain assets of Boston Trading Ltd., Inc. ("Boston Trading") in accordance with the terms of an Asset Purchase Agreement dated April 21, 1995. The Company paid $5.4 million in cash, financed by operations, and delivered a non-negotiable promissory note in the original principal amount of $1 million (the "Purchase Note"). The principal amount of the Purchase Note was payable in two equal installments through May 1997. In fiscal 1996, the Company asserted certain indemnification rights under the Asset Purchase Agreement. In accordance with the Asset Purchase Agreement, the Company, when exercising its indemnification rights, has the right, among other courses of action, to offset against the payment of principal and interest due and payable under the Purchase Note the value of its indemnification claim. Accordingly, based on these indemnification rights, the Company ultimately did not make either of the $500,000 payments of principal on the Purchase Note that were due on May 2, 1996 and May 2, 1997. Nevertheless, the Company continued to pay interest on the original principal amount of the Purchase Note through May 2, 1996 and continued to pay interest thereafter through November 2, 1997 on $500,000 of principal. The portion of the principal amount of the Purchase Note ultimately to be paid by the Company depends upon whether its claims are satisfied by Boston Trading and its stockholders. Barring unforeseen circumstances, management of the Company does not believe that the result of this litigation will have a material adverse impact on the Company's business or financial condition.

Year 2000 Issue

I. State of Readiness: Most of the Company's computer and process control systems were designed to use only two digits to represent years. As a result, they may not recognize "00" as representing the year 2000, but rather the year 1900 which could result in errors or system failures. The Company is in the process of converting technology and its information systems to be Year 2000 compliant. Barring unforeseen circumstances, the Company anticipates that the conversion will be complete by the end of calendar year 1999.

The Company's primary data processing systems for financial reporting, and merchandise management have been upgraded with new releases of year 2000 compliant software and have been operating under fiscal 2000 since January 31, 1999. The payroll system was updated by ADP to a Year 2000 compliant version in May 1999. A conversion of our point of sales system was completed in June 1999. All non-compliant personal computers and network software will be converted by the end of November 1999.

Management is reviewing embedded systems impacted by the year 2000 issue and a plan has been developed to address embedded systems based upon how critical they are to the business. During the third quarter of fiscal 1999 the Company expects to implement a plan to determine the year 2000 readiness of the Company's vendors including, Levi Strauss & Co. and the Company's other merchandise vendors.

II. Cost to Address Year 2000 Issues: The Company expects to spend a total of approximately $600,000,which will be expensed in the Company's financial statements as incurred, in conversion and upgrade costs. Through the end of fiscal year 1998, the Company had spent $300,000. The Company expects that cash flow from operations, and short-term revolving borrowings will enable it to fund its Year 2000 remediation.

III. Risks related to the Company's Year 2000 Issues: The Company's ability to operate would be impacted by the lack of electronic transmission of data from its merchandise vendors and would result in the implementation of manual processes to account for receipt of merchandise. The implementation of manual processes would result in a slow down of product shipments to the Company's stores, which could have an adverse impact on sales. In a worst case scenario, telecommunications or electrical power interruptions on a regional or national scale could adversely affect all merchants' ability to operate.

IV. Company's Contingency Plan: The Company's contingency plan in the event that a slow down of shipments from Levi Strauss & Co. occurs includes increasing purchases in advance of the beginning of the year 2000 to ensure adequate supplies of merchandise would be available.

CAPITAL EXPENDITURES

Total cash outlays for capital expenditures for the first six months of fiscal 1999 were $2,411,000, which primarily represents the cost of new and remodeled stores. Total cash outlays for capital expenditures for the first six months of fiscal 1998 were $216,000. During the first six months of fiscal 1999, the Company opened five new Levi's(R)/Dockers(R) Outlet by Designs stores and completed the remodeling of four of its older Levi's(R) Outlet by Designs stores.

The Company's present plans for expansion for the remainder of fiscal 1999, barring unforeseen circumstances, includes relocating an additional eight Levi's(R)/Dockers(R) Outlet by Designs stores and opening two Dockers(R) Outlet stores and one Levi's(R) Outlet store. Levi Strauss & Co. has given the Company tentative approval to open up to four new Levi's(R)/Dockers(R) Outlet by Designs stores in fiscal 2000, and the Company is currently at various stages of discussions with outlet landlords and developers for suitable real estate lease terms.

On October 31, 1998 the Company and Levi Strauss & Co. amended the trademark license agreement (as amended, the "Outlet License Agreement") that authorizes the Company to use certain Levi Strauss & Co. trademarks in connection with the operation of the Company's Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores in more than 25 states in the eastern portion of the United States. Subject to certain default provisions, the term of the Outlet License Agreement was extended to September 30, 2004, and the license for any particular store is the period co-terminous with the lease term for such store (including extension options). Beginning with the amendment to the Outlet License Agreement effective on October 31, 1998, the Outlet License Agreement provides that the Company has the opportunity to extend the term of the license associated with one or more of the Company's older Levi's(R) Outlet by Designs stores by either renovating the store or replacing the store with a new store with an updated format and fixturing. In order to extend the license associated with each of the Company's 59 older outlet stores, the Company must, subject to certain grace periods, complete these renovations or the construction of replacement stores by December 31, 2004. At May 1, 1999, the average remaining lease term (including extension options) of the Company's Levi's(R) Outlet by Designs and Dockers(R) Outlet by Designs stores was approximately 9.8 years.

The Company, with the approval of Levi Strauss & Co., initiated a program to remodel or replace its 59 oldest Levi's(R) Outlet by Designs stores beginning in fiscal 1999. The Company intends, barring unforeseen circumstances, to move, remodel or replace these stores over the next five years beginning in fiscal 1999. To date, the Company had closed two of its older 59 Levi's(R) Outlet stores and has opened five new Levi's(R)/Dockers(R) Outlet by Designs stores.

RECENT DEVELOPMENTS

On April 30, 1999, the Company announced that Jewelcor Management, Inc., a Nevada corporation ("Jewelcor"), and its controlling shareholder, Seymour Holtzman, had submitted a proposal to the Company to explore the purchase by Jewelcor or its affiliates of all of the outstanding Common Stock of the Company for $3.65 per share in cash. The proposal was subject to various contingencies, including obtaining adequate financing, completion of certain due diligence matters and obtaining the prior consent of Levi Strauss & Co. under the Outlet License Agreement. On May 6, 1999, the Special Committee of the Board of Directors responded to the proposal in a letter to Jewelcor that indicated its willingness to explore the acquisition by Jewelcor and its affiliates of all of the outstanding Common Stock of the Company, subject to the resolution of the contingencies outlined above. On May 19, 1999 and July 7, 1999, the Company amended its Shareholder Right Agreement with its transfer agent to, among other things, (a) permit Jewelcor, together with the assistance of Stanley I. Berger, to take the actions necessary to obtain the consent of Levi Strauss & Co. to the Company's assignment of its rights and obligations under the Outlet License Agreement to Jewelcor, and (b) to permit Jewelcor and others to contact the Company's five largest shareholders to determine their interest in participating as an equity investor in Jewelcor's proposal of another similar proposal to purchase all outstanding capital stock at $3.65 per share in cash.

On June 24, 1999, Seymour Holtzman withdrew his proposal to explore an acquisition of Designs at a price of $3.65 per share in cash. On September 3, 1999 Jewelcor filed with the Securities and Exchange Commission a definitive proxy statement relating to a solicitation by Jewelcor of proxies in connection with the annual meeting of stockholders of the Company. Jewelcor is soliciting proxies to elect a new slate of directors, in opposition to the Company's current Board, and to adopt a shareholder proposal recommending termination of the Company's Shareholder Rights Agreement.

Levi Strauss & Co. sent a letter dated July 29, 1999, to Jewelcor and the Company indicating that it had reviewed preliminary proxy materials filed by Jewelcor and the Company. Levi Strauss & Co. said, among other things, in its letter that it disagreed with the assertion in Jewelcor's preliminary proxy materials that the election of Jewelcor's nominees is not a transfer of control and would not be a significant concern under the Outlet License Agreement. After reviewing Jewelcor's revised proxy materials, in which Jewelcor continued to assert that the election of the Jewelcor nominees would not be viewed as a transfer of control under the Outlet License Agreement, Levi Strauss & Co. sent a second letter to Jewelcor dated August 27, 1999. In this letter, Levi Strauss & Co. reiterated its position that the election of the Jewelcor nominees would fall within the transfer of control provisions of the Outlet License Agreement. The Company has not taken a position on this matter.

The foregoing discussion of the Company's results of operations, liquidity, capital resources and capital expenditures includes certain forward-looking information. Such forward-looking information requires management to make certain estimates and assumptions regarding the Company's expected strategic direction and the related effect of such plans on the financial results of the Company. Accordingly, actual results and the Company's implementation of its plans and operations may differ materially from forward-looking statements made by the Company. The Company encourages readers of this information to refer to Exhibit 99 of the Company's Annual Report on Form 10-K, previously filed with the United States Securities and Exchange Commission on May 1, 1998, 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

Not applicable.

Part II Other Information

ITEM 1. Legal Proceedings

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

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

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Default Upon Senior Securities

None.

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

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

A. Reports on Form 8-K:

The Company reported under item 5 on Form 8-K, dated May 25, 1999, that on May 19, 1999 the Board of Directors approved a second amendment to the Company's Shareholder Rights Agreement dated May 1, 1995, as amended.

The Company reported under item 5 on Form 8-K, dated July 13, 1999, that on July 7, 1999 the Board of Directors approved a third amendment to the Company's Shareholder Rights Agreement dated May 1, 1995, as amended.

The Company reported under item 5 on Form 8-K, dated July 20, 1999, that on July 20, 1999 the Board of Directors of the Company rescheduled the Company's 1999 Annual Meeting of Stockholders to September 22, 1999.

The Company reported under item 5 on Form 8-K, dated August 25, 1999, that on August 25, 1999 the Board of Directors of the Company rescheduled the Company's 1999 Annual Meeting of Stockholders to Monday, October 4, 1999 at 11:00 a.m.

B. Exhibits:

3.1	Restated Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1 to Amendment Noof 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 establishing Series A Junior Participating Cumulative Preferred Stock dated May 1, 1995 (included as Exhibit 3.2 to the Company's Annual Report on Form 10-K dated May 1, 1996, and incorporated herein by reference).	*
3.4	By-Laws of the Company, as amended (included as Exhibit 3.4 to the Company's Amendment No. 1 to Annual Report on Form 10-K/A dated May 28, 1999, and incorporated herein by reference).	*
4.1	Shareholder Rights Agreement dated as of May 1, 1995 between the Company and its transfer agent (included as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 1, 1995, and incorporated herein by reference).	*
4.2	First Amendment dated as of October 6, 1997 to the Shareholder Rights Agreement dated as of May 1, 1995 between the Company and its transfer agent (included as Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 9, 1997, and incorporated herein by reference).	*
4.3	Second Amendment dated as of May 19, 1999 to the Shareholder Rights Agreement between the Company and its transfer agent, as amended (included as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 25, 1999, and incorporated herein by reference).	*
4.4	Third Amendment dated as of July 7, 1999 to the Shareholder Rights Agreement between the Company and its transfer agent, as amended (included as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 13, 1999, and incorporated herein by reference).	*
10.1	1992 Stock Incentive Plan, as amended (included as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q dated June 16, 1998, and incorporated herein by reference).	*
10.2	Senior Executive Incentive Plan for fiscal year ending January 29, 2000 (included as Exhibit 10.4 to the Company's Annual Report on Form 10-K dated April 30, 1999 and incorporated herein by reference).	*
10.3	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).	*
10.4	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).	*
10.5	Amended and Restated Loan and Security Agreement dated as of June 4, 1998, between the Company and BankBoston Retail Finance Inc., as agent for the Lender(s) identified therein ("BRBF"), and the	

	Lender(s) (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 11, 1998, and incorporated herein by reference).	*
10.6	Fee letter dated as of June 4, 1998, between the Company and BBRF (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 11, 1998, and incorporated herein by reference).	*
10.7	First Amendment to Loan and Security Agreement dated as of September 29, 1998 among the Company, BBRF and the Lender(s) identified therein (included as Exhibit 10.5 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.8	Second Amendment to Loan and Security Agreement dated as of October 31, 1998 among the Company, BBRF and the Lender(s) identified therein (included as Exhibit 10.6 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.9	Participation Agreement among Designs JV Corp. (the "Designs Partner"), the Company, LDJV Inc. (the "LOS Partner"), Levi's Only Stores, Inc. ("LOS"), Levi Strauss & Co. ("LS&CO") and Levi Strauss Associates Inc. ("LSAI") dated January 28, 1995 (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.10	Partnership Agreement of The Designs/OLS Partnership (the "OLS Partnership") between the LOS Partner and the Designs Partner dated January 28, 1995 (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.11	Glossary executed by the Designs Partner, the Company, the LOS Partner, LOS, LS&CO, LSAI and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.3 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.12	Sublicense Agreement between LOS and the LOS Partner dated January 28, 1995 (included as Exhibit 10.4 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.13	Sublicense Agreement between the LOS Partner and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.5 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.14	License Agreement between the Company and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.6 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.15	Administrative Services Agreement between the Company and the OLS Partnership dated January 28, 1995 (included as Exhibit 10.7 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporaed herein by reference).	*
10.16	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).	*
10.17	Guaranty by the Company in favor of LS&CO. of the indemnification obligation of the Designs Partner dated as of October 31, 1998 (included as Exhibit 10.3 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.18	Asset Purchase Agreement between LOS and the Company relating to the sale by the Company of stores located in Minneapolis, Minnesota dated January 28, 1995 (included as Exhibit 10.9 to the Company's Current Report on Form 8-K dated April 24, 1995, and incorporated herein by reference).	*
10.19	Asset Purchase Agreement among Boston Trading Ltd., Inc., Designs Acquisition Corp., the Company and others dated April 21, 1995 (included as 10.16 to the Company's Quarterly Report on Form 10-Q dated September 12, 1995, and incorporated herein by reference).	*
10.20	Non-Negotiable Promissory Note between the Company and Atlantic	

	Harbor, Inc., formerly known as Boston Trading Ltd., Inc., dated May 2, 1995 (included as 10.17 to the Company's Quarterly Report on Form 10-Q dated September 12, 1995, and incorporated herein by reference).	*
10.21	Asset Purchase Agreement dated as of September 30, 1998 between the Company and LOS relating to the purchase by the Company of 16 Dockers(R) Outlet and nine Levi's(R) Outlet stores (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 3, 1998, and incorporated herein by reference).	*
10.22	Employment Agreement dated as of October 16, 1995 between the Company and Joel H. Reichman (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 6, 1995, and incorporated herein by reference).	*
10.23	Employment Agreement dated as of October 16, 1995 between the Company and Scott N. Semel (included as Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 6, 1995, and incorporated herein by reference).	*
10.24	Employment Agreement dated as of May 9, 1997 between the Company and Carolyn R. Faulkner (included as Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q dated June 17, 1997, and incorporated herein by reference).	*
10.25	Indemnification Agreement between the Company and James G. Groninger, dated December 10, 1998 (included as Exhibit 10.30 to the Company's Annual Report on Form 10-K dated April 30, 1999, and incorporated herein by reference).	*
10.26	Indemnification Agreement between the Company and Bernard M. Manuel, dated December 10, 1998 (included as Exhibit 10.31 to the Company's Annual Report on Form 10-K dated April 30, 1999, and incorporated herein by reference).	*
10.27	Indemnification Agreement between the Company and Peter L. Thigpen, dated December 10, 1998 (included as Exhibit 10.32 to the Company's Annual Report on Form 10-K dated April 30, 1999, and incorporated herein by reference).	*
10.28	Indemnification Agreement between the Company and Melvin I. Shapiro, dated December 10, 1998 (included as Exhibit 10.33 to the Company's Annual Report on Form 10-K dated April 30, 1999, and incorporated herein by reference).	*
10.29	Indemnification Agreement between the Company and Joel H. Reichman, dated December 10, 1998 (included as Exhibit 10.34 to the Company's Annual Report on Form 10-K dated April 30, 1999, and incorporated herein by reference).	*
10.30	Indemnification Agreement between the Company and Scott N. Semel, dated December 10, 1998 (included as Exhibit 10.35 to the Company's Annual Report on Form 10-K dated April 30, 1999, and incorporated herein by reference).	*
10.31	Indemnification Agreement between the Company and Carolyn R. Faulkner, dated December 10, 1998 (included as Exhibit 10.36 to the Company's Annual Report on Form 10-K dated April 30, 1999, and incorporated herein by reference).	*
10.32	Trust Agreement between the Company and State Street Bank and Trust Company, dated as of May 12, 1999.	
11	Statement re: computation of per share earnings.	
27	Financial Data Schedule.	
99.1	Report of the Company dated May 1, 1998 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.	*
99.2	Letter dated July 29, 1999, from Levi Strauss & Co. to the Company and Jewelcor Management, Inc.	
99.3	Letter dated August 27, 1999, from Levi Strauss & Co. to Jewelcor Management, Inc.	

*   Previously filed with the Securities and Exchange Commission.

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

DESIGNS, INC.

September 14, 1999

By: /s/ Carolyn R. Faulkner

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

TRUST AGREEMENT

This Agreement made as of this 12th day of May, 1999, by and between Designs, Inc., a Delaware corporation (the "Company"), and State Street Bank and Trust Company (the "Trustee");

WHEREAS, the Company has entered into the agreements listed in Appendix A hereto (collectively, the "Executive Agreements") with certain of its employees (the "Executives"); and

WHEREAS, the Company has incurred or expects to incur liability under the terms of such Executive Agreements with respect to the individuals party to such Executive Agreements (the "Executives"); and

WHEREAS, in order to encourage the Executives to remain in the employ of the Company, the Company wishes to establish a trust (hereinafter called "Trust") and to contribute to the Trust, subject to the terms hereof, assets that shall be held therein, subject to the claims of the Company's creditors in the event of the Company's Insolvency, as herein defined, for payment to the Executives and their beneficiaries in such manner and at such times as specified in the Executive Agreements; and

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of certain of the Executive Agreements as unfunded arrangements maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended; and

WHEREAS, subject to the terms hereof, it is the intention of the Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Executive Agreements;

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment Of Trust

(a) The Company hereby deposits with the Trustee in trust the sum of $2,300,000, which is available for the account of the Trustee and which shall become the principal of the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement.

(b) The Trust hereby established is revocable by the Company; provided, however, that it shall be irrevocable (i) for a period of six months commencing on the date hereof and (ii) subject to Section 4 hereof, for a period of twenty-eight months following a Change in Control, as defined herein; and further provided, however, that in the event a claim is pending (pursuant to Section 2(b) hereof) upon the expiration of any such period of irrevocability, the Trust shall remain irrevocable as to the amount of the Trust assets subject to such claim, until such time as such claim is resolved (as determined by the Trustee in its sole and absolute discretion). At any time prior to a Change in Control, the Company may extend any period of irrevocability and may designate additional periods of irrevocability, by notice to the Trustee.

(c) The Trust is intended to be a grantor trust, of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purpose of the Executives and general creditors as herein set forth. The Executives and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Executive Agreements and this Trust Agreement shall be mere unsecured contractual rights of the Executives and their beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 3(a) herein, provided, however, that as long as the June 4, 1998 Loan and Security Agreement between the Company, the Lenders party thereto and BankBoston Retail Finance Inc., as Agent (the "Agent") for the Lenders (as amended and in effect from time to time the "Loan Agreement") has not been terminated and all Liabilities (as therein defined) have not been repaid in full, the claims of the Agent in and to the assets of the Trust shall be prior and superior to the right of any other of the Company's creditors and in the event of Insolvency the Trustee shall distribute such assets as the Agent may from time to time direct. Upon the satisfaction of the Company's obligations under the Loan Agreement, the provisions of this Trust referring to the Lenders, the Agent or the Loan Agreement shall be of no further effect.

(e) The Company shall make contributions to the Trust (i) at least annually prior to a Change in Control (as defined herein), in an amount the Company deems necessary to pay all benefits which could become payable under the Executive Agreements and (ii) for the twenty-eight-month period following a Change in Control, at three-month intervals following the date of such Change in Control, in such additional amounts as may be necessary, in the determination of the Trustee based upon the most recent Payment Schedule (as defined in Section 2(a) hereof), to make payment of all amounts which may become payable under the Executive Agreements, together with a reserve for the Trustee for the payment of any fees and expenses. After a Change in Control, the Trustee may compel any contribution that is required under the Trust.

Section 2. Payments to Executives and Their Beneficiaries; Claims Procedure.

(a) The Company is delivering to the Trustee on the date hereof and shall update prior to a Change in Control on an annual basis (or more frequently in the Company's discretion) a schedule (the "Payment Schedule") that indicates the amounts payable in respect of each Executive (and his or her beneficiaries) under the Executive Agreements, that provides a formula or other instructions acceptable to the Trustee for determining the amounts so payable, the form in which such amount is to be paid and the time of commencement for payment of such amounts (all as provided for or available under the Executive Agreements). Except as otherwise provided herein, the Trustee shall make payments to the Executives and their beneficiaries in accordance with the most recent Payment Schedule delivered to the Trustee prior to a Change in Control. The Trustee shall make provision for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of the Executive Agreements and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by the Company.

(b) Payments will be made to the Executives pursuant to the Payment Schedule without the necessity of a formal claim. In addition, Executives (or an Executive's beneficiary) may make a claim for payment from the Trust in writing to the Trustee at the following address, including any supporting documentation which the Trustee may reasonably require to assess the validity of such claim:

State Street Bank and Trust Company
Trust & Investments
Two International Place
Floor 21
Boston, Massachusetts 02110

The entitlement of an Executive or his or her beneficiaries to benefits under the Executive Agreements shall be determined under the Executive Agreements, and any claim for such benefits shall be considered and reviewed under the procedures, if any, set out in the Executive Agreements.

(c) The Company may make payment of benefits directly to the Executives or their beneficiaries as they become due under the terms of the Executive Agreements. The Company shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to the Executives or their beneficiaries and shall provide evidence of such payments to the Trustee. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Executive Agreements, the Company shall make the balance of each such payment as it falls due. The Trustee shall notify the Company where principal and earnings are not sufficient and the Company shall, if necessary, make additional contributions to the Trust as described in Section 1(e) hereof.

Section 3. Trustee Responsibility Regarding Payments to Trust Beneficiary When the Company Is Insolvent.

(a) The Trustee shall cease payment of benefits to the Executives and their beneficiaries if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) the Company is unable to pay its debts as they become due, (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code or, (iii) the Agent accelerates the time for payment of the Liabilities and/or commences the enforcement of any of its rights and remedies upon default under the Loan Agreement, provided, however, that the Company shall not be considered Insolvent pursuant to this clause (iii) unless (1) the Agent has exercised its rights to proceed against the Collateral (as defined in the Loan Agreement) and (2) the amount realized pursuant to such proceeding is not sufficient to pay all amounts due from the Company under the Loan Agreement.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing of the Company's Insolvency. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall, in its sole discretion, determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to the Executives or their beneficiaries provided, however, that in the event that the Agent notifies the Trustee in writing that the Company has become Insolvent (as defined in Section 3(a)(iii) above), the Trustee shall deliver all of the Trust's assets to the Agent, as the Agent may direct (without further authorization or consent of the Company), and shall not make any further payments to the Executives or their beneficiaries.

(2) Unless the Trustee has actual knowledge of the Company's Insolvency, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency.

(3) If at any time the Trustee has determined that the Company is Insolvent or if the Trustee is notified by the Agent that the Agent has commenced a proceeding against the Collateral, the Trustee shall discontinue payments to Executives or their beneficiaries and shall hold the assets of the Trust first for the benefit of the Agent as provided herein and thereafter for the benefit of the Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of the Executives or their beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Executive Agreements or otherwise.

(4) The Trustee shall resume the payment of benefits to the Executives or their beneficiaries in accordance with Section 2 of this Trust Agreement only after the Trustee has determined that (i) the Company is not Insolvent (or is no longer Insolvent) or (ii) in the case of a proceeding against the Collateral by the Agent, either (a) the Agent is no longer making a claim against the Collateral or (b) all amounts due from the Company under the Loan Agreement have been paid or otherwise satisfied.

(c) Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to the Executives or their beneficiaries under the terms of the Executive Agreements for the period of such discontinuance, less the aggregate amount of any payments made to the Executives or their beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance, plus interest on such unpaid amount, determined for the period commencing on the date such amount should have been paid and ending on the date of such payment, at an annual rate equal to the prime rate (as in effect from time to time at BankBoston Corporation).

Section 4. Payments to the Company.

(a) Except as provided in this Section 4 hereof, while the Trust is irrevocable, the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the assets of the Trust before (a) all payments of benefits have been made to the Executives and their beneficiaries pursuant to the terms of the Executive Agreements and (b) all expenses of the Trust have been paid.

(b) At such time, if any, which follows the six-month anniversary of the date hereof and is prior to a Change in Control, the Company shall have the right or power to direct the Trustee to return to the Company any of the assets of the Trust. If the Company directs the Trustee to return to the Company any of the assets of the Trust, the Trustee shall distribute such assets to the Agent, or as the Agent may otherwise direct, without further authorization or consent of the Company.

(c) Notwithstanding anything to the contrary contained herein, at any time following the establishment of this Trust, including any periods during which the Trust would otherwise be irrevocable, an Executive may present to the Trustee, in a form reasonably acceptable to the Trustee, a complete and unconditional waiver (a "Waiver") of his or her rights under one or more Executive Agreements. Following delivery of a Waiver to the Trustee, the Company shall have the right to direct the Trustee to return to the Company or to divert to others any assets of the Trust attributable to the Executive Agreements with respect to which a Waiver has been executed. For purposes of this Section 4(c), the amounts attributable to each Employee Agreement are those set forth in the then applicable Payment Schedule.

Section 5. Investment Authority.

(a) All rights associated with assets of the Trust shall be exercised by the Trustee or the person designated by the Trustee, and shall in no event be exercisable by or rest with the Executives.

(b) The Trustee shall not be liable in discharging its duties hereunder if it acts for the exclusive benefit of the Executives and their beneficiaries, in good faith and as a prudent person would act in accomplishing a similar task and in accordance with the terms of this Trust Agreement and any applicable federal or state laws, rules or regulations.

(c) Subject to investment guidelines agreed to in writing from time to time by the Company and the Trustee prior to a Change in Control, the Trustee shall have the power in investing and reinvesting the assets of the Trust in its sole discretion:

(1) To invest and reinvest in certificates of deposit or demand or time deposits (including any such deposits with the Trustee) and United States Treasury instruments;

(2) To commingle for investment purposes all or any portion of the assets of the Trust with assets of any other similar trust or trusts established by the Company with the Trustee for the purpose of safeguarding deferred compensation of its employees and/or directors;

(3) To retain any property at any time received by the Trustee;

(4) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;

(5) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;

(6) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof any assessments levied with respect to any such property to deposited;

(7) To extend the time of payment of any obligation held by it;

(8) To hold uninvested any moneys received by it, without liability for interest thereon, but only in anticipation of payments due for investments, reinvestments, expenses or disbursements;

(9) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;

(10) For the purposes of the Trust, to borrow money from a bank, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property (including but not limited to any insurance policies) held by it;

(11) To employ and rely upon suitable contractors and counsel, who may be counsel to the Company or to the Trustee, and to pay their reasonable expenses and compensation from the assets of the Trust to the extent not paid by the Company;

(12) To register investments in its own name or in the name of a nominee; to hold any investment in bearer form; and to combine certificates representing securities with certificates of the same issue held by it in other fiduciary capacities or to deposit or to arrange for the deposit of such securities with any depository, even though, when so deposited, such securities may be held in the name of the nominee of such depository with other securities deposited therewith by other persons, or to deposit or to arrange for the deposit of any securities issued or guaranteed by the United States government, or any agency or instrumentality thereof, including securities evidenced by book entries rather than by certificates, with the United States Department of the Treasury or a Federal Reserve Bank, even though, when so deposited, such securities may not be held separate from securities deposited therein by other persons; provided, however, that no securities held in the Trust shall be deposited with the United States Department of the Treasury or a Federal Reserve Bank or other depository in the same account as any individual property of the Trustee, and provided, further, that the books and records of the Trustee shall at all times show that all such securities are part of the assets of the Trust;

(13) To settle, compromise or submit to arbitration any claims (other than claims for benefits under the Executive Agreements), debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;

(14) To hold and retain policies of life insurance, annuity contracts, and other property of any kind which policies are contributed to the Trust by the Company or are purchased by the Trustee;

(15) To hold any other class of assets which may be contributed by the Company and that is deemed reasonable by the Trustee, unless expressly prohibited herein; and

(16) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the assets of the Trust.

Section 6. Disposition of Income.

During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

Section 7. Accounting by Trustee.

The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and the Trustee. Within ninety days following the close of each calendar year and within thirty days after the removal or resignation of the Trustee, the Trustee shall deliver to the Company and the Agent a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

Section 8. Responsibility of Trustee.

(a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Executive Agreements or this Trust and is given in writing by the Company. Following a Change in Control, the Trustee may rely on a certificate or documentation provided by an Executive regarding entitlement to benefits under the Executive Agreements. In the event of a dispute between the Company and an Executive as to any other matter, the Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) If the Trustee undertakes or defends any litigation arising in connection with this Trust, the Company agrees to indemnify the Trustee against the Trustee's costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments.

(c) The Trustee may consult with legal counsel (who may also be counsel for the Company generally prior to a Change in Control) with respect to any of its duties or obligations hereunder.

(d) The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals and rely on advice given by such professionals to assist it in performing any of its duties or obligations hereunder.

(e) The Trustee shall have, without exclusion, all powers conferred on the Trustees by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(f) Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or to applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Code.

Section 9. Compensation and Expenses of Trustee.

The Company shall pay the Trustee's administrative fees and expenses (including, without limitation, any attorney's fees incurred by the Trustee). If such payments are not made within a reasonable time, the Trustee may charge the Trust for such fees and expenses.

Section 10. Resignation and Removal of Trustee.

(a) The Trustee may resign at any time by written notice to the Company, which shall be effective sixty days after receipt of such notice unless the Company and the Trustee agree otherwise.

(b) The Trustee may be removed by the Company on sixty days notice or upon shorter notice accepted by the Trustee; provided, however, that on and after the occurrence of a Change in Control, as defined herein, the Trustee may only be removed with the approval of all of the Executives (or their beneficiaries, as applicable).

(c) Upon resignation or removal of the Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed as soon as practicable, but in any event within sixty days after receipt of notice of resignation, removal or transfer.

(d) If the Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 11 hereof, by the effective date of resignation or removal under paragraphs (a) or (b) of this section. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 11. Appointment of Successor.

(a) If the Trustee resigns or is removed in accordance with Section 10 hereof, the Company may appoint, subject to Section 11(b) below, any third party bank with a market capitalization exceeding $1,000,000,000 to replace the Trustee upon resignation or removal. The successor Trustee shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.

(b) If the Trustee resigns after a Change in Control, as defined herein, the appointment by the Company of a successor Trustee in accordance with Section 11(a) above shall be subject to the approval of all of the Executives.

(c) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing assets of the Trust, subject to Sections 7 and 8 hereof. The successor Trustee shall not be responsible for and the Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

Section 12. Amendment or Termination.

(a) This Trust Agreement (including Appendix A hereto) may be amended by a written instrument executed by the Trustee and the Company. Notwithstanding the foregoing, (i) no such amendment shall conflict with the terms of the Executive Agreements or shall amend or make the Trust revocable after it has become irrevocable in accordance with Section 1(b) hereof other than with the approval of all of the Executives and (ii) Appendix A may not be amended following a Change in Control. The Trust may not be amended so as to in any way adversely affect the rights of the Agent without the Agent's written consent.

(b) The Trust shall not terminate until the date on which the Executives and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Executive Agreements and all expenses of the Trust have been paid unless sooner revoked in accordance with Section 1(b) hereof. Upon termination of the Trust, any assets remaining in the Trust shall be returned to the Company; provided that upon any such termination, the Trustee shall distribute the assets of its Trustee to the Agent, or as the Agent may otherwise direct, without further authorization or consent of the Company.

(c) Notwithstanding anything contained herein to the contrary, no provision of this Trust Agreement may be amended by the Company in any manner adverse to the Executives and beneficiaries following a Change in Control, as defined herein.

Section 13. Miscellaneous.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to the Executives and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

(d) For purposes of this Trust, a "Change in Control" shall be deemed to have occurred if (i) the Company shall enter into a definitive agreement providing for (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for liquidation or dissolution of the Company, or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of 40% or more of the Company's outstanding common stock other than pursuant to a plan or arrangement entered into by such person and the Company, or (iv) either (x) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors of the Company shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period or (y) the Company shall at any time enter into a definitive agreement pursuant to which individuals who on the date of such agreement constitute the entire Board of Directors of the Company will cease to constitute a majority thereof. Notwithstanding anything to the contrary contained in this Section 13, a "Change in Control" shall not be deemed to have occurred by virtue of any sale, lease, exchange, transfer or other disposition of all or substantially of the assets of the Company by the Agent pursuant to its rights under the Loan Agreement.

Section 14. Effective Date.

The effective date of this Trust Agreement shall be May 12, 1999.

IN WITNESS WHEREOF, this instrument has been executed under seal as of the day and year first above written.

DESIGNS, INC.

By: /s/ James G. Groniger

Name: James G. Groniger

Title: Board of Directors

STATE STREET BANK AND TRUST COMPANY

By:/s/ Peter H. Talbot

Name: Peter H. Talbot

Title: Vice President

APPENDIX A

1. Employment Agreement, dated as October 16, 1995 between Designs, Inc. and Joel H. Reichman.

2. Employment Agreement, dated as October 16, 1995 between Designs, Inc. and Scott N. Semel.

3. Employment Agreement, dated as May 9, 1997 between Designs, Inc. and Carolyn Faulkner.

4. Indemnification Agreement, effective as of December 10, 1998 between Designs, Inc. and Joel H. Reichman.

5. Indemnification Agreement, effective as of December 10, 1998 between Designs, Inc. and Scott N. Semel.

6. Indemnification Agreement, effective as of December 10, 1998 between Designs, Inc. and Carolyn Faulkner.

7. Obligations to any Executive pursuant to Section 10 of the By-laws of Designs, Inc.

EX-11
EARNINGS PER SHARE

Exhibit 11. Statement Re: Computation of Per Share Earnings

	For the three months ended July 31, 1999	For the three months ended August 1, 1998	For the six months ended July 31, 1999	For the six months ended August 1, 1998
	(In thousands except per share data)			
Basic EPS Computation				
Numerator:				
Net loss	$ (536)	$ (3,094)	$ (1,398)	$ (6,146)
Denominator:				
Weighted average common shares outstanding	15,891	15,773	15,890	15,755
Basic EPS	$ (0.03)	$ (0.20)	$ (0.09)	$ (0.39)
Diluted EPS Computation				
Numerator:				
Net loss	$ (536)	$ (3,094)	$ (1,398)	$ (6,146)
Denominator:				
Stock options, excluding anti-dilutive options of 127 shares and 133 shares for the three and six months ended July 31, 1999, respectively, and 2 shares and 7 shares for the three and six months ended August 1, 1998, respectively	---	---	---	---
Total Shares	15,891	15,773	15,890	15,755
Diluted EPS	$ (0.03)	$ (0.20)	$ (0.09)	$ (0.39)

This Schedule contains summary financial information
extracted from the consolidated Balance Sheets of Designs,
Inc. as of July 31, 1999 and the Consolidated Statements of
Income for the six months ending July 31, 1999 and is
qualified in its entirety by reference to such financial
statements.

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6-MOS
JAN-29-2000
JAN-31-1999
JUL-31-1999
1,868
2,300
273
0
61,198
66,944
46,310
28,792
110,249
47,493
0
0
0
162
62,594
110,249
82,742
82,742
61,137
61,137
23,398
0
478
(2,271)
(873)
(1,398)
0
0
0
(1,398)
(0.09)
(0.09)

[LEVI STRAUSS & CO. LETTERHEAD]

VIA FACSIMILE and FEDERAL EXPRESS

July 29, 1999

Joel Reichman
President and CEO
Designs, Inc.
66 B Street
Needham, MA 02494

Seymour Holtzman
Chairman and CEO
Jewelcor Management, Inc.
100 North Wilkes-Barre Blvd.
4th Floor
Wilkes-Barre, PA 18702

Re: The Designs, Inc./Levi Strauss & Co. License Agreement

Dear Messrs. Reichman and Holtzman:

We note with interest the recent filing of proxy statements by Designs, Inc. and Jewelcor Management, Inc., respectively, in connection with the 1999 Annual Meeting of Shareholders of Designs currently scheduled for September 22, 1999.

Designs is very important to Levi Strauss & Co., both as a large customer and as its licensee under a trademark license agreement to operate Levi's(R) and Dockers(R) outlet stores in more than 25 states. Due to this relationship, as well as the significance of the License Agreement to Designs(1), we thought that some comment from LS&CO. regarding certain of the statements in the proxy filings might help to inform the coming months for you and Designs' shareholders.

First, LS&CO. does not agree with the Jewelcor proxy's assertion that the proposed election of JMI Nominees "is not a transfer of control and will not cause a concern under the License Agreement with Levi Strauss." To the contrary, and as Jewelcor's proxy materials go on to contemplate, LS&CO.'s view is that displacement of Designs' current Board by the JMI Nominees would fall within the License Agreement's provisions prohibiting transfers. That is, Designs would need LS&CO.'s consent for the License Agreement to continue in effect if and after the JMI Nominees displace the current Designs directors.

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(1) Designs' proxy filing states: "The Company also believes that its relationship with Levi Strauss is the most significant asset of the Company ..."

Second, the Jewelcor proxy further indicates that in the event LS&CO. takes this view, Jewelcor will "seek to have Levi Strauss confirm that no 'transfer' or breach has occurred or waive the occurrence of any 'transfer' or breach." Jewelcor is, of course, free to approach LS&CO., as it deems appropriate. Based on its direct experience to date with Jewelcor and its principals (described in more detail below), however, LS&CO. is not presently inclined to waive any of its rights under the License Agreement and indeed, intends to exercise them fully.

Third, the Jewelcor proxy indicates that if the JMI Nominees are elected, Jewelcor would take the immediate step, among other things, of selling Designs, through the retention of a New York investment banking firm.(2) Whether or not the JMI Nominees' displacement of the current Board (should it occur) is ultimately found to constitute a prohibited transfer under the License Agreement, there is no doubt that Jewelcor's proposed sale of Designs to a third party without LS&CO.'s consent would fall within the prohibited transfer provisions.

On the face of Jewelcor's proxy, then, there are at least two events which implicate the License Agreement's prohibited transfer provisions - the potential election of the JMI Nominees, and, should the election occur and a buyer be located, the proposed sale of Designs to a third party. Should these eventualities ever arise, LS&CO. would of course consider in good faith the facts then before it in determining whether to consent to any transfer of Designs, and whether the event in question resulted in a material breach of the License Agreement.

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(2) Designs' proxy filing, as well as previous correspondence filed with the Securities and Exchange Commission, indicates that during early 1999 the Special Committee of the Board of Designs, "acting through Shields & Company, contacted 72 third parties which [they] believed might be interested in purchasing the Company. Of these 72 third parties, 17 expressed interest and thereafter received a detailed memorandum describing the Company and its business." This process of courting potential buyers led to discussions with Jewelcor regarding its potential acquisition of Designs, but to LS&CO.'s knowledge no other potential buyers made a bid. The Jewelcor proxy does not elaborate on what additional steps it would take to successfully locate a potential buyer, or why it would succeed when Shields & Company failed.

Given the importance of the continuation of the LS&CO. relationship to Designs' successful operation(3), however, let me identify for you some of LS&CO.'s substantial concerns which have developed as we have observed the battle for control of Designs unfold over recent months. These considerations would factor substantially into LS&CO.'s evaluation of any transfer.

- Our trademarks, notably the Levi's(R) and Dockers(R) brand names which are the subject of the License Agreement, are LS&CO.'s crown jewels. Should our marks ever become associated in consumers' minds with shoddy or even average business practices, this devalues LS&CO. We will not enter into, or remain in business with, any business partner who does not afford our marks appropriate respect and treatment.

- Designs is one of LS&CO.'s largest accounts as measured by sales volume and number of store locations. Designs currently operates more than 100 Levi's(R)and Dockers(R)outlet stores in 27 states, representing a substantial product flow in an increasingly important retail channel. The potential disruption of Designs' retail presence and approach which could result from Jewelcor's proposed changes in Designs' Board membership, management and ownership gives rise to substantial business risk to LS&CO.

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(3) Even Jewelcor's proxy indicates that "if . . . Levi Strauss were to ultimately terminate the License Agreement, the Company's business could be materially adversely effected [sic]."

- In recent years the LS&CO. and Designs' relationship has variously included vendor/manufacturer, licensor/licensee and joint venturers' dynamics. Through these experiences doing business together, the crucial importance of open, timely communications and a successful, indeed intimate, day to day working relationship between LS&CO. and Designs has become increasingly apparent. Indeed, representatives of our companies communicate virtually daily about a broad range of operational issues associated with running the outlet stores. LS&CO. continues to believe that a strong working relationship based on communication, trust and confidence is critical to its and Designs' business success.

- LS&CO.'s entire direct experience with Jewelcor and its principals occurred in Spring 1999, during the course of Jewelcor's discussions with Designs regarding a prospective acquisition of Designs. In anticipation of being asked to consent to an assignment of the License Agreement to Jewelcor, and seeking information relevant to the anticipated consent request (e.g., information about Jewelcor's and its principals' retail and apparel experience, business plan for Designs, financial strength, etc.), LS&CO. provided Jewelcor's principals with a written information request and confidentiality agreement under which the requested information could be provided. Jewelcor acknowledged receipt of LS&CO.'s request; however, no responsive information whatsoever was ever provided. LS&CO. had no further communications from Jewelcor until, after LS&CO. sent a letter to Jewelcor withdrawing its information request in light of public reports that Jewelcor's bid for Designs had been withdrawn, Jewlecor sent LS&CO. a letter indicating that it had withdrawn its bid. In our opinion, even if Jewelcor furnished the information now and LS&CO. concluded that the information met LS&CO.'s criteria, this bodes poorly for the future of a successful working relationship between LS&CO. and a

Jewelcor-controlled Designs.

- Jewlecor's lack of communication with LS&CO., which by any measure is an important participant in Designs' business, persists even as this proxy fight gets underway.

- Finally, since early 1999 (within several weeks of Jewelcor's acquisition of an approximately 9.9% share of Designs at record low share prices), this series of initiatives seeking to gain control of Designs has created a substantial distraction and cloud of uncertainty for the Designs' business and incumbent management. In LS&CO.'s view, Designs' resources would be more productively dispatched to concentrate on managing and building the Designs business without disruptions such as this proxy fight, which promises continuing turmoil through at least September 22, 1999. Recognizing Jewelcor's understandable interest in maximizing shareholder value, we submit that these continuing control plays themselves impair Designs' ability to improve all participants' return on their investments.

Let me summarize LS&CO.'s key positions regarding Designs and the Jewelcor proxy's proposals. LS&CO. views both the proposed displacement of the Designs Board in its entirety, and the stated plan to sell Designs to a third party, as triggering events under its License Agreement's prohibition against transfers without its consent. LS&CO. will not waive its rights under the License Agreement and presently intends to exercise them fully. Finally, LS&CO.'s direct experience with Jewelcor's and its principals' communication approach and lack of responsiveness leads LS&CO. to believe that it is unlikely that Jewelcor will successfully establish a productive working relationship with LS&CO., should Jewelcor gain control of Designs.

Very truly yours,

/s/ Lauren Miller
Lauren Miller
Vice President, Finance, Business Development

[LEVI STRAUSS & CO. LETTERHEAD]

VIA FACSIMILE and FEDERAL EXPRESS

August 27, 1999

Seymour Holtzman
Chairman and CEO
Jewelcor Management, Inc.
100 North Wilkes-Barre Blvd., 4th Floor
Wilkes-Barre, PA 18702

Re: The Designs, Inc./Levi Strauss & Co. License Agreement

Dear Mr. Holtzman:

Thank you for your letter of August 16, 1999. You had told me, when you called me on July 29, 1999, that you and perhaps others from your group desired to meet with representatives of Levi Strauss & Co. We assumed you wanted to furnish us with the information we had requested last May, and also try to persuade us to waive our rights under our License Agreement with Designs. I expressed to you LS&CO.'s willingness to participate in such a meeting.

We advise you, again, that LS&CO. believes the displacement of current Designs directors by Jewelcor nominees falls within Section 19 of the License Agreement. I mention this because your revised proxy materials state then, if and after the Jewelcor nominees are elected, they will seek to have LS&CO. confirm that their election does not fall within Section 19. The nominees already have LS&CO.'s views on that subject, i.e., before the election.

Finally, though I am reluctant to entertain this sort of diversion, let me say that I am genuinely perplexed by your letter's assertions about "ad hominem comments" and "shoddy business practices." There is nothing, expressed or implied, in my letter that remotely fits that description.

Very truly yours,

/s/ Lauren Miller
Lauren Miller
Vice President, Finance, Business Development

Cc: Joel Reichman