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 November 1, 1997 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	02194
(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 November 1, 1997
Common	15,688,416 shares

DESIGNS, INC.
CONSOLIDATED BALANCE SHEETS

November 1, 1997, November 2, 1996 and February 1, 1997
(In thousands, except share data)
(Unaudited)

	November 1, 1997	November 2, 1996	February 1, 1997
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,402	$ 19,954	$ 3,390
Short-term investments	----	----	5,887
Accounts receivable	358	838	558
Inventories (Note 6)	82,849	70,766	79,958
Income taxes deferred and refundable	14,603	922	1,160

Pre-opening costs, net	242	202	524
Prepaid expenses	4,362	5,142	4,834
	104,816	97,824	96,311
Property and equipment, net of accumulated depreciation and amortization	38,205	39,652	39,216
Other assets:			
Long-term investments	----	5,847	----
Deferred income taxes	2,700	2,720	2,743
Intangible assets	3,010	3,128	3,078
Other assets	253	586	412
Total Assets	$ 148,984	$ 149,757	$ 141,760

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable	$ 27,229	$ 17,476	$ 12,194
Accrued expenses and other current liabilities	7,551	10,354	7,046
Accrued rent	2,739	2,737	2,398
Reserve for store closings (Note 6)	5,040	----	----
Income taxes payable	----	1,789	1,353
Notes payable (Note 4)	10,000	1,000	1,000
Total Liabilities	52,559	33,356	23,991
Minority Interest (Note 2)	5,427	6,510	6,724
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, 15,969,000, 15,752,000 and 15,873,000 shares issued at November 1, 1997, November 2, 1996 and February 1, 1997, respectively	160	159	159
Additional paid-in capital	53,541	53,307	53,320
Retained earnings	39,124	57,201	59,393
Treasury stock at cost, 281,000 shares at November 1, 1997 and February 1, 1997 and 120,500 shares at November 2, 1996	(1,827)	(776)	(1,827)
Total Stockholders' equity	90,998	109,891	111,045
	$ 148,984	$ 149,757	$ 141,760

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

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

	Three Months Ended	
	November 1, 1997	November 2, 1996
Sales	$ 77,459	$ 84,958
Cost of goods sold including occupancy	58,659	57,312
Gross profit (Note 6)	18,800	27,646
Expenses:		
Selling, general and administrative	16,466	17,025
Provision for impairment of assets and store closings (Note 6)	----	----
Depreciation and amortization	2,799	2,704
Total expenses	19,265	19,729
Operating income (loss)	(465)	7,917
Interest expense	258	46
Interest income	26	325
Income (loss) before minority interest and income taxes	(697)	8,196
Less minority interest	240	248
Income (loss) before income taxes	(937)	7,948
Provision (benefit) for income taxes	(370)	3,284
Net income (loss)	$ (567)	$ 4,664
Net income (loss) per common and common equivalent share	$ (0.04)	$ 0.30
Weighted average common and common equivalent shares outstanding	15,641	15,810

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

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

	Nine Months Ended	
	November 1, 1997	November 2, 1996
Sales	$ 197,472	$ 210,818
Cost of goods sold including occupancy	167,771	146,450
Gross profit (Note 6)	29,701	64,368
Expenses:		
Selling, general and administrative	49,470	50,262
Provision for impairment of assets and store closings (Note 6)	6,046	----
Depreciation and amortization	8,466	7,854
Total expenses	63,982	58,116
Operating income (loss)	(34,281)	6,252
Interest expense	664	134
Interest income	94	905
Income (loss) before minority interest and income taxes	(34,851)	7,023
Less minority interest	(187)	104
Income (loss) before income taxes	(34,664)	6,919
Provision (benefit) for income taxes	(14,333)	2,846
Net income (loss)	$ (20,331)	$ 4,073
Net income (loss) per common and common equivalent share	$ (1.30)	$ 0.26
Weighted average common and common equivalent shares outstanding	15,623	15,814

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

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

	Twelve Months Ended	
	November 1, 1997	November 2, 1996
Sales	$ 276,247	$ 298,346
Cost of goods sold including occupancy	224,685	210,281
Gross profit (Note 6)	51,562	88,065
Expenses:		
Selling, general and administrative	65,144	68,682
Provision for impairment of assets and store closings (Note 6)	6,046	----
Depreciation and amortization	11,015	10,312
Total expenses	82,205	78,994
Operating income (loss)	(30,643)	9,071
Interest expense	727	176
Interest income	355	1,380
Income (loss) before minority interest and income taxes	(31,015)	10,275
Less minority interest	204	134
Income (loss) before income taxes	(31,219)	10,141
Provision (benefit) for income taxes	(13,079)	4,119
Net income (loss)	$ (18,140)	$ 6,022
Net income (loss) per common and common equivalent share	$ (1.16)	$ 0.38
Weighted average common and common equivalent shares outstanding	15,616	15,803

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

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

	Nine months ended November 1, 1997	Nine months ended November 2, 1996
Cash flows from operating activities:		
Net income (loss)	$ (20,331)	$ 4,073
Adjustments to reconcile to net cash used for operating activities:		
Depreciation and amortization	8,466	7,854
Minority interest	(187)	104
Loss on sale of investments	102	17
Loss from disposal of property and equipment	26	390
Changes in operating assets and liabilities:		
Accounts receivable	200	(365)
Inventories	(2,891)	(12,758)
Prepaid expenses	472	(1,173)
Reserve for store closing	5,347	----
Income taxes payable	(14,796)	1,789
Accounts payable	15,035	9,291
Accrued expenses and other current liabilities	505	2,464
Accrued rent	341	151
Net cash (used for) provided by operating activities	(7,711)	11,837
Cash flows from investing activities:		
Additions to property and equipment	(7,115)	(11,163)
Incurrence of pre-opening costs	(327)	(265)
Proceeds from disposal of property and equipment	154	61
Sale and maturity of investments	5,888	6,126
Reduction in other assets	12	171
Distributions to joint venture partner	(1,110)	----
Net cash used for investing activities	(2,498)	(5,070)
Cash flows from financing activities:		
Net borrowings under credit facility	9,000	----
Purchase of treasury stock	----	(776)
Issuance of common stock under option program (1)	221	22
Net cash provided by (used for) financing activities	9,221	(754)
Net increase (decrease) in cash and cash equivalents	(988)	6,013
Cash and cash equivalents:		
Beginning of the year	3,390	13,941
End of the quarter	$ 2,402	$ 19,954
Supplementary Cash Flow Disclosure		
Cash paid:		
Interest	$ 508	$ 84
Taxes, net	415	940

(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 (consisting only of normal recurring adjustments as well as a provision for impairment of assets and store closings described in Note 6) 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 contained in the Company's audited consolidated financial statements for the year ended February 1, 1997. The Company's business has historically 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, entered into a partnership agreement with LDJV Inc. (the "Partnership Agreement") establishing a joint venture to sell Levi's(R) brand jeans and jeans-related products in Original Levi's StoresTM and Levi's(R) Outlet stores. LDJV Inc. is a wholly-owned subsidiary of Levi's Only Stores, Inc. ("LOS"), which is a wholly-owned subsidiary of Levi Strauss & Co. The joint venture that was established by the Partnership Agreement is known as The Designs/OLS Partnership (the "OLS Partnership"). The operating results of the OLS Partnership are consolidated with the financial statements of the Company for the three, nine and twelve months ended November 1, 1997. Minority interest at November 1, 1997, represents LDJV Inc.'s 30% interest in the OLS Partnership. During the first nine months of fiscal 1997, the OLS Partnership distributed $3.7 million in "Excess Cash" to its partners in accordance with the terms of the Partnership Agreement. The OLS Partnership is also obligated to distribute funds to its partners enabling them to pay taxes associated with the related earnings. No cash distributions for payment of taxes were required during the nine months ended November 1, 1997 and $110,000 was paid to the partners for this purpose for the nine months ended November 2, 1996.

3. Boston Trading Ltd., Inc. Acquisition

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 principal amount of $1 million (the "Purchase Note") payable in two equal annual installments through May 2, 1997. In the first quarter of fiscal 1996, the Company asserted rights of indemnification 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. Accordingly, the Company did not make either of the $500,000 payments of principal due on the Purchase Note on May 2, 1996 and May 2, 1997. The Company paid interest on the original principal amount of the Purchase Note through May 2, 1996 and has continued to pay interest thereafter through November 2, 1997 on $500,000 of principal.

4. Credit Facility

On December 10, 1997, subsequent to the end of the third quarter, the Company entered into a Credit Agreement (the "Credit Agreement") with BankBoston, N.A. The credit facility established by the Credit Agreement, which terminates on June 30, 1999, consists of a revolving line of credit permitting the Company to borrow up to $25 million. Under the facility, the Company may cause BankBoston to issue documentary and standby letters of credit up to $2 million. Availability of the unused revolving line of credit is subject to borrowing base requirements and compliance with certain earnings, net worth and inventory turnover covenants and a cash flow ratio covenant which is effective for the fourth quarter of fiscal 1998. The Company's borrowings under the credit facility are secured by a security interest in all of the Company's Levi Strauss & Co. brand inventory, accounts receivable and certain intangible assets of the Company, excluding the assets of the OLS Partnership and the Company's Boston Traders(R) trademark and related trademarks. The security interest may be released when the Company achieves certain minimum cash flow ratio requirements. 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 (depending upon the Company's quarterly ratio of cash flow to fixed charges). Under the Credit Agreement, the Company has agreed not to pay cash dividends on its Common Stock if such payment would cause the Company to be in default of certain financial ratios. To date, the Company has not paid any cash dividends.

At November 1, 1997, the Company was not in compliance with the cash flow ratio covenant included in its previous Amended and Restated Credit Agreement dated as of July 24, 1996 with BankBoston, N.A. and State Street Bank and Trust Company (the "1996 Credit Agreement"). Upon entering into the new Credit Agreement, BankBoston, N.A. and State Street Bank and Trust Company waived compliance with this covenant under the 1996 Credit Agreement for the quarter ended November 1, 1997. At November 1, 1997, the Company had no outstanding commercial and trade letters of credit and two outstanding standby letters of credit totaling approximately $212,000.

5. Joint Venture Credit Agreement

During the third quarter of fiscal 1996 the Company entered into a Credit Agreement (the "OLS Credit Agreement") with the OLS Partnership and LOS under which the Company and LOS are committed to make advances to the OLS Partnership in the amount of $3.5 million and $1.5 million, respectively. The facility bears interest at BankBoston, N.A.'s prime rate. During the third quarter of fiscal year 1997, the term of the OLS Credit Agreement was extended through September 30, 1998, unless earlier terminated pursuant to the provisions of the OLS Credit Agreement. This Agreement provides that there will be no unpaid credit advances outstanding on the last day of any fiscal year. No advances were outstanding under this facility through the third quarter of fiscal 1997.

6. Provision for Impairment of Assets and Store Closings

In the second quarter of fiscal 1997, the Company recorded a pre-tax charge of $20 million, or ($0.75) per share after tax, related to the shift in strategy away from the Boston Traders(R) vertically integrated private label concept back to name brands. This plan involves the liquidation of Boston Traders(R) brand products and the closure of the Company's New York City product development office. Concurrent with this shift in strategy, the Company plans to close 17 Designs stores and 16 Boston Traders(R) Outlet stores. The Company anticipates that its future private label requirements may be satisfied by open market purchases of selected items that will include the Boston Traders(R) label.

This pre-tax charge includes cash costs of approximately $6.1 million related to lease terminations, cancellation of private label fabric commitments for the remainder of fiscal 1997, severance associated with the closing of the New York office, and other costs related to the strategy shift. The remainder of the $20 million charge consists of non-cash costs of approximately $13.9 million which include approximately $12.4 million of markdowns at cost related to the liquidation of existing and then on order Boston Traders(R) brand product through the end of fiscal 1997. The non-cash costs also include asset impairment charges associated with the planned store closings. Merchandise markdowns and costs associated with the cancellation of fabric commitments, which total approximately $14 million, are accounted for in cost of goods sold for the nine and twelve months ended November 1, 1997. The remaining amounts related to lease termination costs, asset impairment charges, severance benefits, and other costs, which total approximately $6 million, are accounted for in the provision for impairment of assets and store closings for the nine and twelve months ended November 1, 1997. At November 1, 1997, $5.0 million is accrued in the reserve for store closings and a $5.4 million markdown reserve is included in inventory.

The estimated earnings and cash flow benefits expected, barring unforeseen circumstances, to be derived from these actions for fiscal 1998 are $6.8 million and $7.7 million, and for fiscal 1999 are $10.6 million and $8.7 million, respectively. These estimates include anticipated federal income tax refunds related to net operating losses carried back to prior years' taxable income, offset by cash outflows for lease termination costs, severance benefits and other costs. Future cash flows are based upon management's estimate of the period of time between store closings and the final termination of the lease obligations. Barring unforeseen circumstances, the Company anticipates closing all 33 stores by or near the end of fiscal 1997.

7. Amendment to the Shareholders Rights Plan

On October 6, 1997, the Board of Directors approved an amendment to the Company's Shareholder Rights Agreement dated May 1, 1995, pursuant to which the definition of an "Acquiring Person" was amended. The definition of Acquiring Person now allows a person who is and continues to be permitted to file Schedule 13G, in lieu of Schedule 13D, pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, to be beneficial owner of less than 20% of the shares of the Company's Common Stock then outstanding without becoming an "Acquiring Person."

8. Recently Issued Accounting Standards

The Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 128 "Earnings per Share" ("SFAS 128"), which modifies the way in which earnings per share ("EPS") is calculated and disclosed. Upon adoption of SFAS 128 for the fiscal period ending January 31, 1998, the Company will disclose basic and diluted EPS and will restate all prior EPS data presented. Basic EPS excludes dilution and is computed by dividing the income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS, similar to fully diluted EPS, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Management believes the adoption of SFAS 128 will not have a material impact on previously reported earnings per share.

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 requires that changes in comprehensive income be shown on a separate financial statement that is displayed with the same prominence as other financial statements. SFAS 130 becomes effective for fiscal years beginning after December 15, 1997. The Company will adopt this Standard beginning in the first quarter of the fiscal year ending January 30, 1999.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accouting Standard No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 specifies new guidelines for determining a company's operating segments and related requirements for disclosure. SFAS 131 becomes effective for fiscal years beginning after December 15, 1997. The Company will adopt this Standard for the fiscal year ending January 30, 1999.

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

RESULTS OF OPERATIONS

Sales for the third quarter of fiscal 1997 were $77.5 million as compared to sales of $84.9 million in the third quarter of fiscal 1996. Sales for the nine month year to date and rolling twelve month periods decreased 6 percent and 7 percent, respectively, compared to the same periods in the prior year. Comparable store sales decreased 11 percent for the third quarter of fiscal 1997 and 8 percent for the nine month year to date period as compared to the same periods in fiscal 1996. Comparable stores are retail locations open at least 13 months. Of the 155 stores that the Company operated as of November 1, 1997, 146 were comparable stores. The decreases in sales during these periods are primarily due to continued sales decreases in Levi's(R) brand men's jeans and tops, partially offset by increased sales of women's Levi's(R) brand jeans and men's and women's Dockers(R) brand apparel.

Gross margin rate (including the costs of occupancy) for the third quarter of fiscal 1997 equaled 24.3 percent of sales as compared with 32.5 percent of sales for the third quarter in the prior year. The decrease was primarily due to a decrease in merchandise margin resulting from promotional markdowns associated with Levi's(R) brand products, a decrease in initial margins on certain outlet store merchandise, inventory shrinkage and an increase in occupancy costs as a percentage of sales due to the effect of the lower sales base as compared to the prior year. For the nine month and rolling twelve month periods ended November 1, 1997, gross margin rate was 15.2 percent and 18.9 percent of sales, respectively, as compared to 30.5 percent and 29.5 percent of sales, respectively, for the same periods ended November 2, 1996. The decreases for the nine and rolling twelve month periods are primarily attributable to merchandise markdowns of $12.4 million and fabric commitment charges of $1.6 million taken in the second quarter of fiscal 1997 related to Boston Traders(R) brand products as well as increased promotional markdowns on Levi's(R) brand products and unfavorable shrink results recorded during the nine month period ended November 1, 1997.

Selling, general and administrative expenses for the third quarter equaled $16.5 million or 21.3 percent of sales, compared with $17.0 million, or 20.0 percent of sales in the third quarter in the prior year. Store payroll, the largest component of selling, general and administrative expenses, equaled 9.9 percent of sales for the three months ended November 1, 1997, compared with 9.0 percent of sales for the same period last year. This increase is primarily a result of sales decreases in the third quarter. The increase in store payroll was partially offset by decreases in other operating expenses as the Company continued to focus on managing and controlling costs. Selling, general and administrative expenses for the nine month and rolling twelve month periods ended November 1, 1997 equaled 25.1 percent and 23.6 percent of sales, respectively, as compared to 23.8 percent and 23.0 percent of sales in the comparable periods in the prior year. These increases, as a percentage of sales, are primarily attributable to sales decreases.

In the second quarter of fiscal 1997, the Company recorded a pre-tax charge of $20 million, or ($0.75) per share after tax, related to the shift in strategy away from the Boston Traders(R) vertically integrated private label concept back to name brands. This plan involves the liquidation of Boston Traders(R) brand products and the closure of the Company's New York City product development office. Concurrent with this shift in strategy, the Company plans to close 17 Designs stores and 16 Boston Traders(R) Outlet stores. The Company anticipates that its future private label requirements will be satisfied by open market purchases of selected items that may include the Boston Traders(R) label. This pre-tax charge include cash costs of approximately $6.1 million related to lease terminations, cancellation of private label fabric commitments for the remainder of fiscal 1997, severance associated with the closing of the New York office, and other costs related to the strategy shift. The remainder of the $20 million charge consisted of non-cash costs of approximately $13.9 million which include approximately $12.4 million of markdowns at cost related to the liquidation of then existing and on order Boston Traders(R) product through the end of fiscal 1997. The non-cash costs also include asset impairment charges associated with the planned store closings. Merchandise markdowns and costs associated with the cancellation of fabric commitments, which total approximately $14 million, are accounted for in cost of goods sold for the nine months and twelve months ended November 1, 1997. The remaining amounts related to lease termination costs, asset impairment charges, severance benefits, and other costs, which total approximately $6 million, are accounted for in the provision for impairment of assets and store closings for the nine and twelve months ended November 1, 1997. At November 1, 1997, $5.0 million is accrued in the reserve for store closings and a $5.4 million markdown reserve is included in inventory.

Depreciation and amortization expense of $2.8 million for the third quarter of fiscal 1997 increased by 3.5 percent compared with depreciation and amortization expense of $2.7 million for the same period in fiscal 1996. This increase is primarily due to capital expenditures for new store openings and remodeled stores. For the nine month and rolling twelve month periods, depreciation and amortization expense increased by 7.8 percent and 6.8 percent, respectively, primarily due to Boston Trading Co.(R) store openings, remodeled stores and one Levi's(R) Outlet store opened under the joint venture.

Interest expense was $258,000 and $46,000 in the third quarter of fiscal 1997 and fiscal 1996, respectively. For the nine month and rolling 12 month periods, interest expense was $664,000 and $727,000 as compared to $134,000 and $176,000 in prior comparable periods, respectively. This increase is primarily attributable to borrowings under the Company's revolving credit facility during fiscal 1997. The Company anticipates that interest expense will continue to exceed the expense recorded in similar periods in fiscal 1996 as a result of borrowings under the Company's credit facility. The Company had no borrowings under this facility in the prior year.

Interest income for the third quarter of fiscal 1997 was $26,000 compared to $325,000 in fiscal year 1996. For the nine month and rolling 12 month periods interest income was $94,000 and $355,000 as compared to $905,000 and $1.4 million for comparable periods in the prior year. The decrease in interest income is attributable to a lower average investment balance compared to the same periods in the prior year.

Net loss for the third quarter of fiscal year 1997 equaled ($567,000) or ($0.04) per share, as compared with net income of $4.7 million, or $0.30 per share in the third quarter of fiscal 1996. Net loss for the nine month periods ended November 1, 1997 and November 2, 1996 equaled ($20.3) million or ($1.30) per share as compared to net income of $4.1 million or $0.26 per share, respectively. Net loss, on a rolling 12 month basis ending November 1, 1997, was ($18.1) million or ($1.16) per share, as compared with income of $6.0 million, or $0.38 per share for the comparable period in the prior year. The results for the nine and twelve months ended November 1, 1997 include the recognition of a pre-tax charge of $20 million, or ($0.75) per share, related to the Company's shift in strategy away from the Boston Traders(R) vertically integrated private label concept back to name brands as mentioned above.

During the quarter, the Company began to test a selection of new name brands in a small group of its Designs stores. This test is part of the Company's strategic shift, announced in June 1997, back to name brands and away from its former private label product development strategy. New brands featured include Polo Jeans(R), Tommy Jeans(R) (by Tommy Hilfiger), Lucky Brand(R), Boss(R) by I.G. Design, Tag Rag(R), BuffaloJeans(R), EnyceTM, Dollhouse(R), Fubu(R), Mossimo(R), Phat Farm(R), Interstate Jeans(R), S SilverTM Jeans and other brands with a similar point of view. As of mid-November, the Company's six Boston Trading Co.(R) stores also carry a majority of the same brands. As part of this test, the product selection and quantities of Levi's(R) brand product in these stores have been significantly narrowed and reduced from prior levels. The Company intends to continue to test these name brands through the Holiday season and into fiscal year 1998.

SEASONALITY

The Company's business is 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash needs are for operating expenses, including cash outlays associated with inventory purchases and capital expenditures for new and remodeled stores. The Company expects that cash flow from operations, short-term borrowings and trade credit will enable it to finance its current working capital, remodeling and expansion requirements during the remainder of the fiscal year.

WORKING CAPITAL AND CASH FLOWS

To date, the Company has financed its working capital requirements and expansion program with cash flow from operations, borrowings and proceeds from Common Stock offerings. Cash used in operations for the first nine months of fiscal 1997 was $7.9 million compared to cash provided by operations of $11.8 million for the same period in the prior year. Cash used in operations in the nine months ended November 1, 1997 is primarily attributable to net losses, the liquidation of the Boston Traders(R) brand, and the timing of other working capital accounts.

The Company's cash and investment position at November 1, 1997 was approximately $2.4 million, compared to approximately $19.9 million at the end of the third quarter of fiscal 1996. During the first quarter of fiscal 1997, the Company sold its remaining short-term investments of $5.9 million. As a result of the sale, the Company realized a loss of $102,300. At the end of the third quarter of fiscal 1997 the Company had net borrowings outstanding of approximately $9.0 million under its revolving credit facility, described below, compared to no borrowings under this facility at the end of the third quarter of fiscal 1996. The Company anticipates that borrowing levels at the end of fiscal 1997 will be above borrowing levels at November 1, 1997.

The Company's working capital at November 1, 1997 was approximately $52.3 million, compared to $64.5 million at November 2, 1996. This decrease in working capital was primarily attributable to negative cash flow from operations, partially offset by the tax benefit recognized as a result of net operating losses. Inventory, net of reserves, at November 1, 1997 was $82.8 million compared to $70.8 million at November 2, 1996. This $12.0 million increase is primarily due to the early receipt of goods purchased for the Holiday 1997 selling season and the third quarter sales results. This increase was partially offset by the liquidation of Boston Traders(R) brand products beginning in the second quarter of fiscal 1997. At the end of the third quarter of fiscal 1997 approximately $4.0 million (net of a markdown reserve), or 5 percent, of the total inventory consisted of Boston Traders(R) brand product. Merchandise purchases for the balance of the fiscal year are planned at lower levels than last year. At November 1, 1997, the Company had $813,000 of outstanding fabric commitments associated with the Boston Traders(R) brand product for which the Company previously recorded adequate reserves.

The estimated earnings and cash flow benefits expected, barring unforeseen circumstances, to be derived from the $20 million charge taken for markdowns and store closings, described previously, for fiscal 1998 are $6.8 million and $7.7 million, and for fiscal 1999 are $10.6 million and $8.7 million, respectively. These estimates include anticipated federal income tax refunds related to net operating losses carried back to prior years' taxable income, offset by cash outflows for lease termination costs, severance benefits and other costs. Future cash flows are based upon management's estimate of the period of time between store closings and the final termination of the lease obligations. To date, arrangements have been made for the closing of 23 of these stores by the end of fiscal 1997. Barring unforeseen circumstances, the Company anticipates closing all 33 stores by or near the end of fiscal 1997.

The Company's trade payables to Levi Strauss & Co., its principal vendor, generally are due 30 days after the date of invoice. At November 1, 1997, approximately $6 million of the accounts payable balance was past due (by five days on average) to Levi Strauss & Co. The Company continues to evaluate and, within the discretion of management, act upon opportunities to purchase substantial quantities of Levi's(R) and Dockers(R) brand products for the Levi's(R) Outlet stores, subject to the availability of funds with which to do so. The Boston Traders(R) brand product required the Company to source its own product predominantly from various offshore vendors. Payment to these vendors were through the use of letters of credit. Given the Company's shift in strategy away from its own product development, the Company anticipates that the use of letters of credit as a payment method will be minimal and expects that it will purchase branded merchandise under customary industry credit terms.

On December 10, 1997, subsequent to the end of the third quarter, the Company entered into a Credit Agreement (the "Credit Agreement") with BankBoston,N.A. The credit facility established by the Credit Agreement, which terminates on June 30, 1999, consists of a revolving line of credit permitting the Company to borrow up to $25 million. Under the facility, the Company may cause BankBoston to issue documentary and standby letters of credit up to $2 million. Availability of the unused revolving line of credit is subject to borrowing base requirements and compliance with certain earnings, net worth and inventory turnover covenants and a cash flow ratio covenant which is effective for the fourth quarter of fiscal 1998. The Company's borrowings under the credit facility are secured by a security interest in all of the Company's Levi Strauss & Co. brand inventory, accounts receivable and certain intangible assets of the Company, excluding the assets of the joint venture and the Company's Boston Traders(R) trademark and related trademarks.
The security interest may be released when the Company achieves certain minimum cash flow ratio requirements. At the option of the Company,

borrowings under this facility bear interest at BankBoston, N.A.'s prime rate or LIBOR-based fixed rates (depending upon the Company's quarterly ratio of cash flow to fixed charges). Under the Credit Agreement, the Company has agreed not to pay cash dividends on its Common Stock if such payment would cause the Company to be in default of certain financial ratios. To date, the Company has not paid any cash dividends.

At November 1, 1997, the Company was not in compliance with the cash flow ratio covenant included in its previous Amended and Restated Credit Agreement dated as of July 24, 1996 with BankBoston, N.A. and State Street Bank and Trust Company (the "1996 Credit Agreement"). Upon entering into the new Credit Agreement, BankBoston, N.A. and State Street Bank and Trust Company waived compliance with this covenant under the 1996 Credit Agreement for the quarter ended November 1, 1997. At November 1, 1997, the Company had no outstanding commercial and trade letters of credit and two outstanding standby letters of credit totaling approximately $212,000.

On January 28, 1995, Designs JV Corp., a wholly-owned subsidiary of the Company, and a subsidiary of Levi's Only Stores, Inc., a wholly-owned subsidiary of Levi Strauss & Co., entered into a partnership agreement (the "Partnership Agreement") to sell Levi's(R) brand jeans and jeans-related products. The joint venture that was established by the Partnership Agreement is known as The Designs/OLS Partnership (the "OLS Partnership"). The term of the joint venture is ten years; however, the Partnership Agreement contains certain exit rights that enable either partner to buy or sell its interest in the joint venture after five years. The Company previously announced that the OLS Partnership may open up to thirty-five to fifty Original Levi's StoresTM and Levi's(R) Outlet stores throughout eleven Northeast states and the District of Columbia throughout the end of fiscal 1999. At the end of the third quarter of fiscal 1997 the OLS Partnership owned and operated eleven Original Levi's StoresTM and eleven Levi's(R) Outlet stores. The OLS Partnership does not anticipate opening any additional stores for the remainder of fiscal 1997.

During the first nine months of fiscal 1997, the OLS Partnership distributed $3.7 million in "Excess Cash" to its partners in accordance with the terms of the Partnership Agreement. It is the intention of the partners in the joint venture that working capital for the joint venture will come from its operations, capital contributions, loans from the partners and borrowings from third parties.

During the third quarter of fiscal 1996, the Company entered into a Credit Agreement (the "OLS Credit Agreement") with the OLS Partnership and Levi's Only Stores, Inc. under which the Company and Levi's Only Stores, Inc. are committed to make advances to the OLS Partnership in amounts up to $3.5 million and $1.5 million, respectively. This credit facility bears interest at BankBoston, N.A.'s prime rate. During the third quarter of fiscal year 1997, the term of the OLS Credit Agreement was extended through September 30, 1998, unless earlier terminated pursuant to other provisions of the OLS Credit Agreement. The OLS Credit Agreement also provides that there may not be credit advances outstanding on the last day of the fiscal year. There were no borrowings under this facility through November 1, 1997.

CAPITAL EXPENDITURES

During the first nine months of fiscal 1997, the Company opened six new Boston Trading Co.(R) stores, remodeled one Levi's(R) Outlet by Designs store and five Boston Traders(R) Outlet stores. The OLS Partnership opened one new Levi's(R) Outlet store. Total cash outlays of $7.2 million and $11.1 million during the first nine months of fiscal 1997 and fiscal 1996, respectively, represent the costs of new and remodeled stores as well as corporate office capital spending during the periods. In addition to the 33 stores that the Company plans to close before the end of fiscal 1997, the Company closed one Designs store for which the lease had expired during the nine month period ended November 1, 1997.

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 principal amount of $1.0 million (the "Purchase Note"). The principal amount of the Purchase Note was payable in two equal installments through May 1997. In the first quarter of 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. Accordingly, the Company 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. The Company has continued to pay interest through the maturity date of the Purchase Note and thereafter through

November 2, 1997 on $500,000 of the principal of the Purchase Note. The portion of the principal amount of the Purchase Note to be paid by the Company depends upon whether its claims are satisfied by Boston Trading and its stockholders.

In November 1996, the Company and Levi Strauss & Co. entered into a trademark license agreement (the "Outlet License Agreement") which provides the terms upon which the Company is permitted to use the Levi Strauss & Co. batwing trademark in connection with the operations of the Company's Levi's(R) Outlet by Designs stores. The Outlet License Agreement authorizes the Company, subject to certain terms and conditions, to operate the Levi's(R) Outlet by Designs stores using the Levi's(R) batwing trademark in 25 states in the eastern portion of the United States. Subject to certain default provisions, the term of the Outlet License Agreement will expire on July 31, 2001, and the license for any store will be for a period co-terminous with the lease term for such store (including extension options), unless Levi Strauss & Co. otherwise extends the term of the license for that particular store. Levi Strauss & Co. has no obligation to extend the license beyond the initial term described above. The leases (including extension options) relating to approximately one-half of the Levi's(R) Outlet by Designs stores open at November 1, 1997 expire in or prior to fiscal 2009 and all, except for four such leases, expire in or prior to fiscal 2011.

On October 6, 1997, the Board of Directors approved an amendment to the Company's Shareholder Rights Agreement dated May 1, 1995, pursuant to which the definition of an "Acquiring Person" was amended. The definition of Acquiring Person now allows a person who is and continues to be permitted to file a Schedule 13G, in lieu of Schedule 13D, pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, to be beneficial owner of less than 20% of the shares of the Company's Common Stock then outstanding without becoming an "Acquiring Person."

The Company continually evaluates discretionary investments in new projects that may complement its existing business. Further, as leases expire, the Company continues to evaluate the performance of its existing stores. As a result of this process, certain store locations could be closed or relocated within a center in the future.

*   *   *   *   *

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 read the Company's Current Report on Form 8-K, previously filed with the United States Securities and Exchange Commission on April 22, 1997, which identifies certain risks and uncertainties that may have an impact on future earnings and the direction of the Company.

Part II. Other Information

ITEM 1. Legal Proceedings

The Company is a party to 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 3. Default Upon Senior Securities

As discussed above, the 1996 Credit Agreement required the Company to maintain certain net worth, inventory turnover and cash flow ratios. The Company received a written waiver of its non-compliance at November 1, 1997 with the cash flow ratio covenant in the 1996 Credit Agreement.

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

None.

ITEM 6. Exhibits and Reports on Form 8-K

A. Reports on Form 8-K:

The Company reported under item 5 on Form 8-K, dated October 9, 1997, that on October 6, 1997 the Board of Directors approved an amendment to the Company's Shareholder Rights Agreement dated May 1, 1995, pursuant to which the definition of an "Acquiring Person" was amended. The definition of Acquiring Person now allows a person who is and continues to be permitted to file Schedule 13G, in lieu of Schedule 13D, pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, to be beneficial owner of less than 20% of the shares of the Company's Common Stock then outstanding without becoming an "Acquiring Person."

B. Exhibits:

3.1	Restated Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1 to Amendment No. 3 of the Company's Registration Statement on Form S-1 (No. 33-13402), and incorporated herein by reference).	*
3.2	Certificate of Amendment to Restated Certificate of Incorporation, as amended, dated June 22, 1993 (included as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q dated June 17, 1996, and incorporated herein by reference).	*
3.3	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of the Company 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 3.1 to the Company's Quarterly Report on Form 10-Q dated December 12, 1995, 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).	*
10.1	1987 Incentive Stock Option Plan, as amended (included as Exhibit 10.1 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated herein by reference).	*
10.2	1987 Non-Qualified Stock Option Plan, as amended (included as Exhibit 10.2 to the Company's Annual Report on Form 10-K dated April 29, 1993, and incorporated by herein by reference).	*

10.3 1992 Stock Incentive Plan, as amended (included as Exhibit A to the Company's definitive proxy statement dated May 9, 1997, and incorporated herein by reference). *

10.4 Senior Executive Incentive Plan effective beginning with the fiscal year ended February 1, 1997 (included as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q dated September 17, 1996, and incorporated herein by reference). *

10.5 Trademark License Agreement between the Company and Levi Strauss & Co. dated as of November 15, 1996 (included as Exhibit 10.5 to the Company's Annual Report on Form 10-K dated May 1, 1997, and incorporated herein by reference). *

10.6 Amended and Restated Credit Agreement among the Company, BankBoston N.A., formerly BayBank, N.A., and State Street Bank and Trust Company dated as of July 24, 1996 (included as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 7, 1996, and incorporated herein by reference). *

10.7 Consulting Agreement between the Company and Stanley I. Berger dated December 21, 1994 (included as Exhibit 10.7 to the Company's Annual Report on Form 10-K dated April 28, 1995, and incorporated herein by reference). *

10.8 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). *

10.9 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). *

10.10 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). *

10.11 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). *

10.12 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). *

10.13 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). *

10.14 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 incorporated herein by reference). *

10.15 Credit Agreement among the Company, LOS and the OLS Partnership dated as of October 1, 1996 (included as Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q dated December 17, 1996, and incorporated herein by reference). *

10.16 First Amendment to Credit Agreement among the Company, LOS and the OLS Partnership dated as of October 29, 1997.

10.17 Asset Purchase Agreement between LOS and the Company relating to the sale 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). *

10.18 Asset Purchase Agreement between LOS and the Company relating to the sale of a store located in Cambridge, Massachusetts dated January 28, 1995 (included as Exhibit 10.10 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	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).	*
10.22	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).	*
10.23	Employment Agreement dated as of October 16, 1995 between the Company and Mark S. Lisnow (included as Exhibit 10.3 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).	*
11	Statement re: computation of per share earnings.	
27	Financial Data Schedule.	
99.1	Report of the Company dated April 22, 1997 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 (included as Exhibit 99 to the Company's Annual Report on Form 10-K dated May 1, 1997, and incorporated herein by reference).	*

* 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.

By: /s/ CAROLYN R.FAULKNER

Carolyn R. Faulkner
Vice President and
Chief Financial Officer

December 16, 1997

Exhibit 11. Statement Re: Computation of Per Share Earnings

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	11/1/97	11/2/96	11/1/97	11/2/96	11/1/97	11/2/96
	(In thousands, except for per share data)					
Net (Loss)Income	$ (567)	$4,664	$(20,331)	$4,073	$(18,140)	$6,022
Weighted average shares outstanding during the period	15,641	15,810	15,623	15,814	15,616	15,803
Net (Loss) Income per common share	$(0.04)	$0.30	$(1.30)	$0.26	$(1.16)	$0.38

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This Schedule contains summary financial information extracted from the Consolidated Balance Sheets of Designs, Inc. as of November 1, 1997, November 2, 1996 and February 1, 1997 and the Consolidated Statements of Income for the three, nine and twelve months ended November 1, 1997 and November 2, 1996 and is qualified in its entirety by reference to such financial statements.

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9-MOS
JAN-31-1998
FEB-2-1997
NOV-1-1997
2,402
0
358
0
82,849
104,816
71,184
32,979
148,984
52,559
0
0
0
160
90,838
148,984
197,472
197,472
167,771
167,771
63,982
0
664
(34,851)
(14,333)
(20,331)
0
0
0
(20,331)
(1.30)
0

FIRST AMENDMENT
TO
CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of the 29th day of October, 1997, by and among THE DESIGNS/OLS PARTNERSHIP, a partnership having its principal place of business at 66 B Street, Needham, Massachusetts 02194 (the "Partnership"), DESIGNS, INC., a Delaware corporation having its principal place of business at 66 B Street, Needham, Massachusetts 02194 ("Designs"), and LEVI'S ONLY STORES, INC., a Delaware corporation having its principal place of business at 1159 Dublin Road, Columbus, Ohio 43215 ("LOS"; LOS and Designs being hereinafter sometimes referred to collectively as the "Lenders").

W I T N E S S E T H:

WHEREAS, the Partnership and the Lenders entered into a certain Credit Agreement dated as of October 1, 1996 (the "1996 Credit Agreement") in connection with the establishment of $5 million revolving credit facility for the Partnership;

WHEREAS, the Partnership and the Lenders wish to, among other things, extend the term of the 1996 Credit Agreement by one additional year;

WHEREAS, Section 7.1 of the 1996 Credit Agreement provides that no amendment of the 1996 Credit Agreement shall be effective unless the amendment is set forth in a writing signed and Lenders and the Partnership; and

WHEREAS, the Lenders and the Partnership have executed and delivered this Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, the Partnership and the Lenders hereby agree as follows:

1. This Amendment shall be deemed to be effective as of September 30, 1997.

2. The definition of the term "Prime Rate" in Section 1 of the 1996 Credit Agreement is hereby amended to read as follows:

" "Prime Rate" means the lower of (a) the annual rate of interest announced by BankBoston, N.A. (or its successors) from time to time at its principal office as its "prime rate" (which may or may not be the lowest rate available from BankBoston, N.A. at a given time), and (b) the prime rate or base rate on corporate loans at large United States money center commercial banks as published in The Wall Street Journal or, if publication of such rate shall be suspended or terminated, the annual rate of interest, determined daily and expressed as a percentage, from time to time announced by one of the five largest banking institutions having their principal office in New York, New York and selected by the Agent at the time such publication is suspended or terminated. Each change in the Prime Rate shall be effective for the purposes of this Agreement and the Notes on and as of the date such change becomes effective. "

3. Section 2.2 of the 1996 Credit Agreement is hereby amended to read as follows:

" 2.2 Termination of Commitments. The Commitments shall terminate on September 30, 1998 (the "Termination Date") unless earlier terminated pursuant to the provisions of this Agreement. "

4. The form of Credit Request attached as Exhibit B to the 1996 Credit Agreement is hereby deleted in its entirety and is replaced by Exhibit B attached to this Amendment.

5. Section 7.3(a) of the 1996 Credit Agreement is hereby amended to read as follows:

" 7.3 Notices. (a) All notices, demands and other communications between any of parties hereunder to the other shall be deemed effective (except for Credit Requests, which shall be effective when received by the Agent) when delivered by hand or sent by first class mail or by facsimile transmission, and addressed to the other party as set forth below:

If to the Partnership:

The Designs/OLS Partnership
c/o Designs, Inc.
66 B Street
Needham, Massachusetts 02194
Attention: General Manager

or to such other address of which notice is given in the same manner.

If to the Lenders:

Designs, Inc.
66 B Street
Needham, Massachusetts 02194
Attention: President
Telecopier: (617) 449-8666

with a copy to

Scott N. Semel, Esq.
Executive Vice President and General Counsel
Designs, Inc.
66 B Street
Needham, Massachusetts 02194
Telecopier: (617) 449-8666

and

Levi's Only Stores, Inc.
1159 Dublin Road
Columbus, Ohio 43215
Attention: President
Telecopier: (614) 232-5580

with a copy to

Levi Strauss & Co.
Levi's Plaza
1155 Battery Street
San Francisco, California 94111
Attention: General Counsel/LOS
Telecopier: (415) 501-7650

or to such other address as either Lender may designate by notice in writing to the Partnership with a copy of such notice to the other Lender and the Agent; provided, however, that the failure of the Partnership to deliver a copy of any notice to Mr. Semel or Levi Strauss & Co. shall not constitute a failure to send notice to the Lenders. "

6. Section 7.3(c) of the 1996 Credit Agreement is hereby amended to read as follows:

" (c) The proceeds of all Credit Advances made hereunder shall be delivered to the following account of the Partnership with BankBoston, N.A. (unless otherwise agreed in writing by the parties hereto):

BankBoston, N.A.
100 Federal Street
Boston, Massachusetts 02110
ABA #011 001742
For credit to Account No. 0038652079
Attention: Gisela A. LoPiano, Director
Telephone: (617) 434-5801
Telecopier: (617) 434-5825 "

7. As amended hereby, the 1996 Credit Agreement shall continue in full force and effect in accordance with its terms.

8. This Amendment shall be governed by, and construed and enforced in accordance with, the substantive laws of The Commonwealth of Massachusetts, without regard to its principles of conflicts of laws. This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same Amendment and each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the Partnership and the Lenders have caused this First Amendment to Credit Agreement to be executed and delivered as a sealed instrument by their duly authorized representatives, all as of the date first written above.

THE DESIGNS/OLS PARTNERSHIP
By: Designs JV Corp.,
a General Partner

By:/s/ JOEL H. REICHMAN

Its President

By: LDJV Inc., a General Partner

By:/s/ EDWARD T. MURPHY

Its President

LEVI'S ONLY STORES, INC.

By:/s/ EDWARD T. MURPHY

Its President

DESIGNS, INC.

By:/s/ JOEL H. REICHMAN

Its President

Exhibit B

[Form of Credit Request]

Date:

Designs, Inc., as Agent
66 B Street
Needham, Massachusetts 02194

We hereby request that the Lenders make pro-rata Credit Advances to us on or before [, 19] (the "Credit Advance Date") in the aggregate amount of $ _______________. Please advise ________________ of our request. The proceeds of such loan shall be sent by wire transfer to our account #0038652079 at BankBoston, N.A.

This request is submitted under and pursuant to, and the loan is a loan referred to in, the Credit Agreement, dated as of September   , 1996, among Designs, Inc., Levi's Only Stores, Inc. and The Designs/OLS Partnership, as amended (the "Agreement"), and we hereby confirm that the representations and warranties contained in Article 4 of the Agreement are true and correct on and as of the date hereof and that no Default (as defined in the Agreement) has occurred and is continuing on the date hereof, in each case giving effect to such Credit Advance.

Very truly yours,

THE DESIGNS/OLS PARTNERSHIP

By: ---------------------------
Its General Manager

By: ---------------------------
A Management Committee Member