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(Mark One)                   FORM 10-Q  
/x/           Quarterly Report Pursuant To  
              Section 13 or 15(d) of the  
              Securities Exchange Act of 1934  
              For Quarter Ended  
              October 31, 1995

/ /           Transition Report Pursuant To  
              Section 13 or 15(d) of the  
              Securities and Exchange Act of 1934

Securities and Exchanges Commission  
Washington, D.C. 20549  
Commission File No. 1-3083

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GENESCO INC.  
A Tennessee Corporation  
I.R.S. No. 62-0211340  
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Nashville, Tennessee 37217-2895  
Telephone 615/367-7000  
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Indicate by check mark whether the  
registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
during the preceding 12 months (or such  
shorter period that the registrant was  
required to file such reports with the  
commission) and (2) has been subject to  
such filing requirements for the past 90  
days.  
Yes X    No  
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Common Shares Outstanding December 8, 1995 - 24,351,572

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## PART I - FINANCIAL INFORMATION

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Consolidated Balance Sheet  
In Thousands

	OCTOBER 31, 1995	JANUARY 31, 1995	OCTOBER 31, 1994
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and short-term investments	\$ 22,575	\$ 10,235	\$ 5,619
Accounts receivable	41,091	32,080	41,797
Inventories	91,974	82,905	98,721
Other current assets	4,140	4,277	4,848
Current assets of operations to be divested	3,236	53,891	72,911
<b>Total current assets</b>	<b>163,016</b>	<b>183,388</b>	<b>223,896</b>
Plant, equipment and capital leases, net	28,190	28,073	28,502
Other noncurrent assets	13,412	13,773	16,037
Noncurrent assets of operations to be divested	-0-	18,644	19,298
<b>TOTAL ASSETS</b>	<b>\$ 204,618</b>	<b>\$ 243,878</b>	<b>\$ 287,733</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Current payments on capital leases	\$ 1,338	\$ 2,343	\$ 2,413
Accounts payable and accrued liabilities	53,052	61,124	74,354
Provision for discontinued operations	3,190	19,190	24,898
<b>Total current liabilities</b>	<b>57,580</b>	<b>82,657</b>	<b>101,665</b>
Long-term debt	75,000	75,000	110,000
Capital leases	1,749	10,057	10,750
Other long-term liabilities	22,588	25,746	35,740
Provision for discontinued operations	14,194	21,025	22,700
Contingent liabilities	-	-	-
<b>SHAREHOLDERS' EQUITY</b>			
Non-redeemable preferred stock	7,945	7,943	7,942
Common shareholders' equity:			
Par value of issued shares	24,838	24,832	24,832
Additional paid-in capital	121,709	121,670	121,664
Accumulated deficit	(100,515)	(104,582)	(119,739)
Minimum pension liability adjustment	(2,613)	(2,613)	(9,964)
Treasury shares, at cost	(17,857)	(17,857)	(17,857)
<b>Total shareholders' equity</b>	<b>33,507</b>	<b>29,393</b>	<b>6,878</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 204,618</b>	<b>\$ 243,878</b>	<b>\$ 287,733</b>

The accompanying Notes are an integral part of these Financial Statements.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Consolidated Earnings  
In Thousands

	THREE MONTHS ENDED OCTOBER 31,		NINE MONTHS ENDED OCTOBER 31,	
	1995	1994	1995	1994
Net sales	\$111,994	\$123,199	\$314,819	\$337,586
Cost of sales	66,702	76,842	191,491	210,166
Selling and administrative expenses	39,391	43,524	113,580	123,836
Restructuring and other charges	(192)	22,114	16,137	22,114
Earnings (loss) from operations before other income and expenses	6,093	(19,281)	(6,389)	(18,530)
Other expenses (income):				
Interest expense	2,656	3,241	7,586	9,153
Interest income	(155)	(34)	(308)	(47)
Gain on divestiture	-0-	-0-	-0-	(4,900)
Other expense (income)	(646)	262	(3,404)	(250)
Total other (income) expenses, net	1,855	3,469	3,874	3,956
Earnings (loss) before income taxes and discontinued operations	4,238	(22,750)	(10,263)	(22,486)
Income taxes	7	223	22	736
Earnings (loss) before discontinued operations	4,231	(22,973)	(10,285)	(23,222)
Discontinued operations:				
Operating loss	-0-	(1,600)	-0-	(4,540)
Excess provision (provision) for future losses	-0-	(68,587)	14,352	(68,587)
NET EARNINGS (LOSS)	\$ 4,231	\$ (93,160)	\$ 4,067	\$ (96,349)
Earnings (loss) per common share:				
Before discontinued operations	\$ .17	\$ (.95)	\$ (.43)	\$ (.96)
Discontinued operations	\$ .00	\$ (2.88)	\$ .59	\$ (3.01)
Net earnings (loss)	\$ .17	\$ (3.83)	\$ .16	\$ (3.97)

The accompanying Notes are an integral part of these Financial Statements.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Consolidated Cash Flows  
In Thousands

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 31,		OCTOBER 31,	
	1995	1994	1995	1994
<b>OPERATIONS:</b>				
Net earnings (loss)	\$ 4,231	\$(93,160)	\$ 4,067	\$(96,349)
Noncash charges to earnings:				
Depreciation and amortization	1,868	2,500	5,455	7,447
Impairment of long-lived assets	978	-0-	978	-0-
Restructuring charge	(1,170)	22,114	15,159	22,114
Provision for loss on discontinued operations (excess)	-0-	68,587	(14,352)	68,587
Gain on divestiture	-0-	-0-	-0-	(4,900)
Provision for losses on accounts receivable	515	7	1,238	1,262
Provision for deferred income taxes	-0-	1,404	-0-	1,404
Other	117	(198)	378	400
Net cash provided by (used in) operations before working capital and other changes	6,539	1,254	12,923	(35)
Effect on cash of changes in working capital and other assets and liabilities:				
Accounts receivable	300	(2,844)	3,834	(22,889)
Inventories	(4,130)	2,447	(764)	4,054
Other current assets	(62)	819	342	(570)
Accounts payable and accrued liabilities	2,080	6,220	(6,402)	3,837
Other assets and liabilities	(1,013)	1,432	(3,340)	2,473
Net cash provided by (used in) operations	3,714	9,328	6,593	(13,130)
<b>INVESTING ACTIVITIES:</b>				
Capital expenditures	(2,655)	(1,347)	(6,183)	(4,542)
Proceeds from businesses divested and asset sales	17,207	275	18,697	2,045
Net cash provided by (used in) investing activities	14,552	(1,072)	12,514	(2,497)
<b>FINANCING ACTIVITIES:</b>				
Net borrowings (repayments) under revolving credit agreement	-0-	(4,000)	-0-	20,000
Net change in short-term borrowings	(510)	(3,095)	2,523	(69)
Payments on capital leases	(593)	(578)	(9,313)	(2,089)
Other	24	21	23	(221)
Net cash provided by (used in) financing activities	(1,079)	(7,652)	(6,767)	17,621
<b>NET CASH FLOW</b>	<b>17,187</b>	<b>604</b>	<b>12,340</b>	<b>1,994</b>
Cash and short-term investments at beginning of period	5,388	5,015	10,235	3,625
<b>CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD</b>	<b>\$22,575</b>	<b>\$ 5,619</b>	<b>\$ 22,575</b>	<b>\$ 5,619</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>				
Net cash paid (received) for:				
Interest	\$4,266	\$ 4,995	\$ 8,786	\$ 10,338
Income taxes	6	36	(761)	(98)

The accompanying Notes are an integral part of these Financial Statements.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Consolidated Shareholders' Equity  
In Thousands

	TOTAL NON-REDEEMABLE PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	MINIMUM PENSION LIABILITY ADJUSTMENT	TOTAL SHARE- HOLDERS' EQUITY
Balance January 31, 1994	\$8,064	\$24,793	\$121,634	\$ (23,241)	\$(17,857)	\$(4,706)	\$(9,964)	\$98,723
Exercise of options	-0-	2	4	-0-	-0-	-0-	-0-	6
Translation adjustments:								
Year-to-date adjustments	-0-	-0-	-0-	-0-	-0-	2,136	-0-	2,136
Realized in FY 1995 restructuring	-0-	-0-	-0-	-0-	-0-	2,570	-0-	2,570
Net loss	-0-	-0-	-0-	(81,192)	-0-	-0-	-0-	(81,192)
Minimum pension liability adjustment	-0-	-0-	-0-	-0-	-0-	-0-	7,351	7,351
Other	(121)	37	32	(149)	-0-	-0-	-0-	(201)
Balance January 31, 1995	\$7,943	\$24,832	\$121,670	\$(104,582)	\$(17,857)	\$ -0-	\$(2,613)	\$29,393
Exercise of options	-0-	2	4	-0-	-0-	-0-	-0-	6
Net earnings	-0-	-0-	-0-	4,067	-0-	-0-	-0-	4,067
Other	2	4	35	-0-	-0-	-0-	-0-	41
BALANCE OCTOBER 31, 1995	\$7,945	\$24,838	\$121,709	\$(100,515)	\$(17,857)	\$ -0-	\$(2,613)	\$33,507

The accompanying Notes are an integral part of these Financial Statements.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 1  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTERIM STATEMENTS

The consolidated financial statements contained in this report are unaudited but reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods of the fiscal year ending January 31, 1996 ("Fiscal 1996") and of the fiscal year ended January 31, 1995 ("Fiscal 1995"). The results of operations for any interim period are not necessarily indicative of results for the full year. The financial statements should be read in conjunction with the financial statements and notes thereto included in the annual report on Form 10-K.

BASIS OF CONSOLIDATION

All subsidiaries are included in the consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

CASH AND SHORT-TERM INVESTMENTS

Included in cash and short-term investments at October 31, 1995, are short-term investments of \$20,000,000. There were no short-term investments at January 31, 1995 or October 31, 1994. Short-term investments are highly-liquid debt instruments having an original maturity of three months or less.

INVENTORIES

Inventories of wholesaling and manufacturing companies are stated at the lower of cost or market, with cost determined principally by the first-in, first-out method. Retail inventories are determined by the retail method.

PLANT, EQUIPMENT AND CAPITAL LEASES

Plant, equipment and capital leases are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense is computed principally by the straight-line method.

The Company implemented Statement of Financial Accounting Standards (SFAS) 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" in the third quarter of Fiscal 1996. This statement establishes accounting standards for determining impairment of long-lived assets. The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. During the third quarter, the Company identified certain retail stores that were impaired because of a history of and current period cash flow losses in these specific stores. An impairment loss of \$978,000 was recognized for these retail stores and is included in the "Restructuring and other charges" line on the income statement for the three months and nine months ended October 31, 1995.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 1  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

HEDGING CONTRACTS

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments, the Company enters into foreign currency forward exchange contracts for Lira. At January 31, 1995 and October 31, 1995, the Company had approximately \$9.7 million and \$2.4 million, respectively, of such contracts outstanding. Forward exchange contracts have an average term of approximately seven and one half months. Gains and losses arising from these contracts offset gains and losses from the underlying hedged transactions. The Company monitors the credit quality of the major national and regional financial institutions with whom it enters into such contracts.

POSTRETIREMENT BENEFITS

Substantially all full-time employees are covered by a pension plan. For its defined benefit plan, the Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

In accordance with SFAS 106, postretirement benefits such as life insurance and health care are accrued over the period the employee provides services to the Company.

ENVIRONMENTAL COSTS

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated and are evaluated independently of any future claims for recovery. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

INCOME TAXES

Income taxes are accounted for in accordance with SFAS 109, "Accounting for Income Taxes". Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount of taxes recoverable from taxes paid in the current or prior years.



GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 2  
RESTRUCTURINGS

FISCAL 1995 RESTRUCTURING

In response to worsening trends in the Company's men's apparel business and in response to a strategic review of its footwear operations, the Company's board of directors, on November 3, 1994, approved a plan (the "1995 Restructuring") designed to focus the Company on its core footwear businesses by selling or liquidating four businesses, two of which constituted its entire men's apparel segment.

The 1995 Restructuring provided for the following:

1995 Restructuring Charge

- Liquidation of the University Brands children's shoe business,
- Sale of the Mitre Sports soccer business, and
- Facility consolidation costs and permanent work force reductions.

1995 Restructuring Provision

- Liquidation of The Greif Companies men's tailored clothing business, and
- Sale of the GCO Apparel Corporation tailored clothing manufacturing business.

In connection with the 1995 Restructuring, the Company took a combined charge of \$90.7 million in the third quarter of Fiscal 1995, of which \$22.1 million (the "1995 Restructuring Charge") related to University Brands and Mitre and facility consolidation costs and permanent work force reductions and \$68.6 million (the "1995 Restructuring Provision") related to Greif and GCO Apparel, which constituted the entire men's apparel segment of the Company's business, and is therefore treated for financial reporting purposes as a provision for discontinued operations. No tax benefit is currently available with respect to either the 1995 Restructuring Charge or the 1995 Restructuring Provision.

In the fourth quarter of Fiscal 1995 the 1995 Restructuring Provision was positively adjusted by \$10.5 million reducing the \$68.6 million provision for future losses of discontinued operations to \$58.1 million. The adjustment reflected the favorable consequences of a transfer, not anticipated at the time the provision was recorded, of a licensing agreement for men's apparel to another manufacturer. The transfer resulted in realization of inventory and accounts receivable balances on more favorable terms than anticipated, assumption of piece goods commitments by other manufacturers and cancellation of minimum royalty requirements under the transferred license.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 2  
RESTRUCTURINGS, CONTINUED

In the first quarter of Fiscal 1996 the Company took an additional restructuring charge of \$14.1 million relating to the 1995 Restructuring. The additional restructuring charge reflected the lowering of anticipated proceeds from the sale of Mitre Sports soccer business. In addition, the 1995 Restructuring Provision was adjusted by an additional reversal of \$12.7 million. The reversal reflected primarily (1) an agreement during the quarter providing for the resolution of a long-term lease liability on terms more favorable than were anticipated when the 1995 Restructuring Provision was established, (2) better than anticipated realization of inventories and accounts receivable as the remaining Greif inventory was liquidated in the first quarter of Fiscal 1996 and (3) lower than anticipated union pension liability, which the pension fund determined and announced to the Company during the quarter.

In the second quarter of Fiscal 1996 the Company took an additional restructuring charge of \$2.2 million relating to the 1995 Restructuring. This addition to the 1995 Restructuring Charge reflected the actual proceeds received from the sale on August 14, 1995 of the Mitre Sports soccer business. In addition, the Company made an additional positive adjustment of \$1.7 million to the 1995 Restructuring Provision. The adjustment reflected primarily the reversal of reserves in connection with the final settlement of a long-term lease liability referred to above, based on the resolution of certain contingencies at the closing of the transaction in the second quarter more favorably than the Company had anticipated and on lower than anticipated severance payments.

In the third quarter of Fiscal 1996 the Company made a positive adjustment of \$1.2 million to the Restructuring Charge in connection with the sale of the Mitre soccer business. The Mitre adjustment was the result of more favorable than expected post-closing purchase price adjustments. In addition, the Company took a charge of \$978,000 from the adoption of a new accounting standard relating to impaired assets. See Note 1 to the Consolidated Financial Statements. These two adjustments are shown as "Restructuring and other charges" on the income statement for the three months and nine months ended October 31, 1995 for a net gain of \$192,000.

The transactions provided for in the 1995 Restructuring were substantially complete as of October 31, 1995. The 1995 Restructuring Charge, as adjusted, provided for the elimination of 464 jobs in footwear operations to be divested or consolidated and in staff positions to be eliminated, of which 450 jobs had been eliminated as of October 31, 1995. The divestiture of the University Brands business was completed in February 1995. The operations of The Greif Companies have ceased, its inventories and equipment have been liquidated and its last major remaining long-term lease liability was resolved in June 1995. The Company's GCO Apparel Corporation was sold effective June 9, 1995. The Company's Mitre Sports soccer business was sold effective August 14, 1995 with cash proceeds to the Company of approximately \$19.1 million, including repayment of intercompany balances. While the Company is unable to predict with certainty the extent to which the aggregate cash proceeds from the 1995 Restructuring will exceed the cash requirements thereof, it currently anticipates that cash proceeds will exceed requirements by approximately \$15 million. Any excess cash will be reinvested in the Company's ongoing businesses.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 2  
RESTRUCTURINGS, CONTINUED

The operating results of the men's apparel segment prior to the decision to discontinue, classified as discontinued operations in the consolidated earnings statement, are shown below:

IN THOUSANDS	NINE MONTHS ENDED OCTOBER 31, 1994
Net sales	\$81,777
Cost of sales and expenses	86,317
Pretax loss	(4,540)
Income tax expense (benefit)	-0-
Net Loss	\$(4,540)

Discontinued operations' sales subsequent to the decision to discontinue were \$20.0 million for the nine months ended October 31, 1995.

Operating results of stores identified for closure and businesses to be divested pursuant to the 1995 Restructuring and the 1994 Restructuring referred to below are included in the Company's sales, cost of sales and selling and administrative expenses. The net operating losses incurred by these operations subsequent to the decision to divest are charged against the restructuring reserves established to provide for such losses. The elimination of these losses from the Company's results of operations for the nine months ended October 31, 1995 is presented as other income in the Consolidated Earnings Statement. Such operating losses totalled \$1.4 million for the nine months ended October 31, 1995.

FISCAL 1994 RESTRUCTURING

Because of developments in the fourth quarter of Fiscal 1994, the Company changed operating strategies and made a decision to restructure certain of its operations and reassessed the recoverability of certain assets (the "1994 Restructuring"). As a result, the Company recorded a charge of \$29.4 million, of which \$17.1 million related to the men's apparel segment. This charge reflected estimated costs of closing certain manufacturing facilities, effecting permanent work force reductions and closing 58 retail stores. The provision included \$15.8 million in asset write-downs and \$13.6 million of future consolidation costs. The restructuring involved the elimination of approximately 1,200 jobs (20% of the Company's total work force in Fiscal 1994). Included in the \$15.8 million of asset write-downs was \$7.7 million relating to goodwill, of which \$6.9 million related to the acquisition of certain assets of Lamar Manufacturing Company by the Company's GCO Apparel subsidiary and \$800,000 related to the Company's acquisition of certain assets of Toddler U Inc.

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 3  
ACCOUNTS RECEIVABLE\*

IN THOUSANDS	OCTOBER 31, 1995	JANUARY 31, 1995
Trade accounts receivable	\$41,628	\$32,401
Miscellaneous receivables	2,957	2,258
Total receivables	44,585	34,659
Allowance for bad debts	(1,637)	(1,127)
Other allowances	(1,857)	(1,452)
NET ACCOUNTS RECEIVABLE	\$41,091	\$32,080

\* Excludes accounts receivable of divested operations (see Note 5).

NOTE 4  
INVENTORIES\*

IN THOUSANDS	OCTOBER 31, 1995	JANUARY 31, 1995
Raw materials	\$ 8,227	\$ 8,856
Work in process	3,837	2,877
Finished goods	21,242	21,992
Retail merchandise	58,668	49,180
TOTAL INVENTORIES	\$91,974	\$82,905

\* Excludes inventories of divested operations (see Note 5).

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 5  
ASSETS OF OPERATIONS TO BE DIVESTED

IN THOUSANDS	OCTOBER 31, 1995		JANUARY 31, 1995	
	DISCONTINUED* OPERATIONS	OTHER** OPERATIONS		TOTALS
Current assets:				
Accounts receivable	\$865	\$2,371	\$3,236	\$27,079
Inventory	-0-	-0-	-0-	26,158
Other	-0-	-0-	-0-	654
<b>TOTAL CURRENT ASSETS</b>	<b>\$865</b>	<b>\$2,371</b>	<b>\$3,236</b>	<b>\$53,891</b>
Noncurrent assets:				
Plant and equipment	\$-0-	\$ -0-	\$ -0-	\$ 2,647
Capitalized lease rights	-0-	-0-	-0-	299
Goodwill and other intangibles	-0-	-0-	-0-	15,698
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$-0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$18,644</b>

\* Includes the assets of The Greif Companies and GCO Apparel Corporation comprising the men's apparel segment (see Note 2).

\*\* Includes the assets of University Brands and Mitre Sports (see Note 2).

NOTE 6  
PLANT, EQUIPMENT AND CAPITAL LEASES, NET\*

IN THOUSANDS	OCTOBER 31, 1995	JANUARY 31, 1995
Plant and equipment:		
Land	\$ 75	\$ 75
Buildings and building equipment	2,517	2,797
Machinery, furniture and fixtures	32,657	30,682
Construction in progress	1,529	672
Improvements to leased property	38,059	37,776
Capital leases:		
Land	60	60
Buildings	2,126	2,195
Machinery, furniture and fixtures	7,521	7,627
Plant, equipment and capital leases, at cost	84,544	81,884
Accumulated depreciation and amortization:		
Plant and equipment	(49,784)	(48,131)
Capital leases	(6,570)	(5,680)
<b>NET PLANT, EQUIPMENT AND CAPITAL LEASES</b>	<b>\$ 28,190</b>	<b>\$ 28,073</b>

\* Excludes plant, equipment and capital leases of divested operations (see Note 5).

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 7  
PROVISION FOR DISCONTINUED OPERATIONS AND RESTRUCTURING RESERVES

PROVISION FOR DISCONTINUED OPERATIONS

IN THOUSANDS	EMPLOYEE RELATED COSTS	FACILITY SHUTDOWN COSTS	OTHER CONTRACT LIABILITIES	OTHER	TOTAL
Balance January 31, 1995	\$25,134	\$ 9,405	\$1,415	\$ 4,261	\$ 40,215
Charges and adjustments, net	(8,997)	(9,394)	(752)	(3,688)	(22,831)
Balance October 31, 1995	16,137	11	663	573	17,384
Current portion	1,943	11	663	573	3,190
TOTAL NONCURRENT PROVISION FOR DISCONTINUED OPERATIONS	\$14,194	\$ -0-	\$ -0-	\$ -0-	\$ 14,194

RESTRUCTURING RESERVES

IN THOUSANDS	EMPLOYEE RELATED COSTS	FACILITY SHUTDOWN COSTS	OTHER CONTRACT LIABILITIES	OTHER	TOTAL
Balance January 31, 1995	\$ 3,965	\$ 3,123	\$ 555	\$ 3,112	\$ 10,755
Charges and adjustments, net	(2,600)	(1,521)	(70)	(2,299)	(6,490)
Balance October 31, 1995	1,365	1,602	485	813	4,265
Current portion (included in accounts payable and accrued liabilities)	1,365	1,361	485	812	4,023
TOTAL NONCURRENT RESTRUCTURING RESERVES (INCLUDED IN OTHER LONG-TERM LIABILITIES)	\$ -0-	\$ 241	\$ -0-	\$ 1	\$ 242

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

NOTE 8  
LEGAL PROCEEDINGS

Tennessee Environmental Proceedings

The Company is subject to several administrative orders issued by the Tennessee Department of Environment and Conservation directing the Company to implement plans designed to remedy possible ground water contamination and to manage source area material which was generated by a divested operating division and which was deposited on a site in a rural area near Nashville, Tennessee. Substantially all source material and ground water remedial actions have been implemented. The Company believes that it has fully provided for the costs to be incurred with respect to these remedial actions.

New York State Environmental Proceedings

The Company is a defendant in two separate civil actions filed by the State of New York; one against the City of Gloversville, New York, and 33 other private defendants and the other against the City of Johnstown, New York, and 14 other private defendants. In addition, third party complaints and cross claims have been filed against numerous other entities, including the Company, in both actions. These actions arise out of the alleged disposal of certain hazardous material directly or indirectly in municipal landfills. The complaints in both cases allege the defendants, together with other contributors to the municipal landfills, are liable under a federal environmental statute and certain common law theories for the costs of investigating and performing remedial actions required to be taken with respect to the landfills and damages to the natural resources.

The environmental authorities have issued decisions selecting plans of remediation with respect to the Johnstown and Gloversville sites which have total estimated costs of \$16.5 million and \$28.3 million, respectively.

The Company has filed answers to the complaints in both the Johnstown and Gloversville cases denying liability and asserting numerous defenses. The Company has established a provision in the amount of \$1,500,000 to cover its estimated share of future remediation costs. Because of uncertainties related to the ability or willingness of the other defendants, including the municipalities involved, to pay a portion of such costs, the availability of State funding to pay a portion of such costs, the insurance coverage available to the various defendants, the applicability of joint and several liability and the basis for contribution claims among the defendants, management is presently unable to predict the outcome or to estimate the extent of any additional liability the Company may incur with respect to either of the Johnstown or Gloversville actions.

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NOTE 8  
LEGAL PROCEEDINGS, CONTINUED

Whitehall Environmental Sampling

The Michigan Department of Natural Resources ("MDNR") has performed sampling and analysis of soil, sediments, surface water, groundwater, and waste management areas at the Company's Volunteer Leather Company facility in Whitehall, Michigan. MDNR advised the Company that it would review the results of the analysis for possible referral to the EPA for action under the Comprehensive Environmental Response Compensation and Liability Act. However, the Company is cooperating with MDNR and has been advised by MDNR that no EPA referral is presently contemplated. Neither MDNR nor the EPA has threatened or commenced any enforcement action. In response to the testing data, the Company has submitted a conceptual work plan for approval by MDNR. The plan provides, among other things, for fencing a waste disposal area to reduce the likelihood of human contact with any hazardous substances which may be in the area, installing an erosion barrier along a portion of the shore of White Lake adjoining the facility, and performing additional testing and analysis to determine what additional remediation may be necessary. The Company does not believe that the installation of an erosion barrier and fencing and the additional testing anticipated by the conceptual work plan will have a material effect on its financial condition or results of operations, but is unable to determine whether additional remediation activities, if any, would have a material effect on its financial condition or results of operations.

Preferred Shareholder Action

On January 7, 1993, 23 former holders of the Company's series 2, 3 and 4 subordinated serial preferred stock filed a civil action against the Company and certain officers in the United States District Court for the Southern District of New York (the "U.S. District Court Action"). The plaintiffs allege that the defendants misrepresented and failed to disclose material facts to representatives of the plaintiffs in connection with exchange offers which were made by the Company to the plaintiffs and other holders of the Company's series 1, 2, 3 and 4 subordinated serial preferred stock from June 23, 1988 to August 1, 1988. The plaintiffs contend that had they been aware of the misrepresentations and omissions, they would not have agreed to exchange their shares pursuant to the exchange offers. The plaintiffs allege breach of fiduciary duty and fraudulent and negligent misrepresentations and seek damages in excess of \$10 million, costs, attorneys' fees, interest and punitive damages in an unspecified amount. By order dated December 2, 1993, the U.S. District Court denied a motion for judgement on the pleadings filed on behalf of all defendants. On July 6, 1994, the court denied a motion for partial summary judgement filed on behalf of the plaintiffs. The Company and the individual defendants intend to defend the U.S. District Court Action vigorously. The Company is unable to predict if the U.S. District Court Action will have a material adverse effect on the Company's results of operations or financial condition.



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NOTE 8  
LEGAL PROCEEDINGS, CONTINUED

Texas Interference Action

On October 6, 1995, a prior holder of a license to manufacture and market western boots and other products under a trademark now licensed to the Company filed an action in the District Court of Dallas County, Texas against the Company and a contract manufacturer alleging tortious interference with a business relationship, breach of contract, tortious interference with a contract, breach of a confidential relationship and civil conspiracy based on the Company's entry into the license. The Company has filed an answer denying all the material allegations of the plaintiff's complaint and has removed the action to the U.S. District Court for the Northern District of Texas. The Company is unable to predict whether the outcome of the litigation will have a material effect on its financial condition or results of operations.

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SIGNIFICANT DEVELOPMENTS

Fiscal 1995 Restructuring

In response to worsening trends in the Company's men's apparel business and in response to a strategic review of its footwear operations, the Company's board of directors, on November 3, 1994, approved a plan (the "1995 Restructuring") designed to focus the Company on its core footwear businesses by selling or liquidating four businesses, two of which constituted its entire men's apparel segment. The ongoing businesses, after implementation of the 1995 Restructuring, include the manufacture or sourcing, marketing and distribution of footwear under the Johnston & Murphy, J. Murphy, Domani, Laredo, Code West, Dockers and Nautica brands, the tanning and distribution of leather by the Volunteer Leather division and the operation of Jarman, Journeys, Johnston & Murphy, J. Murphy, Boot Factory and Factory To You retail footwear stores.

The 1995 Restructuring provided for the following:

1995 Restructuring Charge

- Liquidation of the University Brands children's shoe business,
- Sale of the Mitre Sports soccer business, and
- Facility consolidation costs and permanent work force reductions.

1995 Restructuring Provision

- Liquidation of The Greif Companies men's tailored clothing business, and
- Sale of the GCO Apparel Corporation tailored clothing manufacturing business.

In connection with the 1995 Restructuring, the Company took a combined charge of \$90.7 million in the third quarter of Fiscal 1995, of which \$22.1 million (the "1995 Restructuring Charge") related to University Brands and Mitre and facility consolidation costs and permanent work force reductions and \$68.6 million (the "1995 Restructuring Provision") related to Greif and GCO Apparel, which constituted the entire men's apparel segment of the Company's business, and is therefore treated for financial reporting purposes as a provision for discontinued operations. No tax benefit is currently available with respect to either the 1995 Restructuring Charge or the 1995 Restructuring Provision.

In the fourth quarter of Fiscal 1995 the 1995 Restructuring Provision was positively adjusted by \$10.5 million, reducing the \$68.6 million provision for future losses of discontinued operations to \$58.1 million. The adjustment reflected the favorable consequences of a transfer, not anticipated at the time the provision was recorded, of a licensing agreement for men's apparel to another manufacturer. The transfer resulted in realization of inventory and accounts receivable balances on more favorable terms than anticipated, assumption of piece goods commitments by other manufacturers and cancellation of minimum royalty requirements under the transferred license.

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In the first quarter of Fiscal 1996 the Company took an additional restructuring charge of \$14.1 million relating to the 1995 Restructuring. The additional restructuring charge reflected the lowering of anticipated proceeds from the sale of the Mitre Sports soccer business. In addition, the 1995 Restructuring Provision was adjusted by an additional reversal of \$12.7 million. The reversal reflected primarily (1) an agreement during the quarter providing for the resolution of a long-term lease liability on terms more favorable than were anticipated when the 1995 Restructuring Provision was established, (2) better than anticipated realization of inventories and accounts receivable as the remaining Greif inventory was liquidated in the first quarter of Fiscal 1996 and (3) lower than anticipated union pension liability, which the union pension fund determined and announced to the Company during the quarter.

In the second quarter of Fiscal 1996 the Company took an additional restructuring charge of \$2.2 million relating to the 1995 Restructuring. This addition to the 1995 Restructuring Charge reflected the actual proceeds received from the sale on August 14, 1995 of the Mitre Sports soccer business. In addition, the Company made an additional positive adjustment of \$1.7 million to the 1995 Restructuring Provision. The adjustment reflected primarily the reversal of reserves in connection with the final settlement of the long-term lease liability referred to above, based on the resolution of certain contingencies at the closing of the transaction in the second quarter more favorably than the Company had anticipated and on lower than anticipated severance payments.

In the third quarter of Fiscal 1996 the Company made a positive adjustment of \$1.2 million to the Restructuring Charge in connection with the sale of the Mitre soccer business. The Mitre adjustment was the result of more favorable than expected post-closing purchase price adjustments. In addition, the Company took a charge of \$978,000 from the adoption of a new accounting standard relating to impaired assets. See Note 1 to the Consolidated Financial Statements. These two adjustments are shown as "Restructuring and other charges" on the income statement for the three months and nine months ended October 31, 1995 for a net gain of \$192,000.

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The transactions provided for in the 1995 Restructuring were substantially complete as of October 31, 1995. The 1995 Restructuring Charge, as adjusted, provided for the elimination of 464 jobs in footwear operations to be divested or consolidated and in staff positions to be eliminated, of which 450 jobs had been eliminated as of October 31, 1995. The divestiture of the University Brands business was completed in February 1995. The operations of The Greif Companies have ceased, its inventories and equipment have been liquidated and its last major remaining long-term lease liability was resolved in June 1995. The Company's GCO Apparel Corporation was sold effective June 9, 1995. The Company's Mitre Sports soccer business was sold effective August 14, 1995 with cash proceeds to the Company of approximately \$19.1 million, including repayment of intercompany balances. While the Company is unable to predict with certainty the extent to which the aggregate cash proceeds from the 1995 Restructuring will exceed the cash requirements thereof, it currently anticipates that cash proceeds will exceed requirements by approximately \$15 million. Any excess cash will be reinvested in the Company's ongoing businesses.

#### Adoption of New Accounting Standard

The Company implemented Statement of Financial Accounting Standards (SFAS) 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" in the third quarter of Fiscal 1996. This statement establishes accounting standards for determining impairment of long-lived assets. The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. During the third quarter, the Company identified certain retail stores that were impaired because of a history of and current period cash flow losses in these specific stores. An impairment loss of \$978,000 was recognized for these retail stores and is included in the "Restructuring and other charges" line on the income statement for the three months and nine months ended October 31, 1995.

#### RESULTS OF OPERATIONS - THIRD QUARTER FISCAL 1996 COMPARED TO FISCAL 1995

The Company's net sales from continuing operations in the third quarter ended October 31, 1995 decreased 9.1% from the previous year reflecting primarily lower sales from the operations divested as part of the 1995 Restructuring. Net sales from ongoing operations increased 6.4% from the previous year. Total gross margin for the quarter decreased 2.3% but increased as a percentage of net sales from 37.6% to 40.4%. Selling and administrative expenses decreased 9.5% and decreased as a percentage of net sales from 35.3% to 35.2%. Pretax earnings in the third quarter ended October 31, 1995 was \$4,238,000, compared to a pretax loss of \$22,750,000

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for the quarter ended October 31, 1994. Pretax earnings for the third quarter ended October 31, 1995 includes a positive adjustment of \$1.2 million to the 1995 Restructuring Charge and a \$978,000 charge for impaired assets due to the implementation of SFAS No. 121. Last year's pretax loss includes the \$22.1 million Restructuring Charge. The Company reported net earnings of \$4,231,000 (\$0.17 per share) for the third quarter ended October 31, 1995 compared to a net loss of \$93,160,000 (\$3.83 per share) in the third quarter ended October 31, 1994. The third quarter ended October 31, 1994 net earnings includes a \$68.6 million Restructuring Provision. See Note 2 to the Consolidated Financial Statements and "Significant Developments - Fiscal 1995 Restructuring."

Footwear Retail

	Three Months Ended October 31,		%
	1995	1994	Change

(In Thousands)

Net Sales.....	\$61,553	\$59,704	3.1%
Operating Income before Restructuring and Other Charges..	\$ 5,038	\$ 5,384	(6.4)%
Restructuring and Other Charges...	\$ (978)	\$ (236)	(314.4)%
Operating Income.....	\$ 4,060	\$ 5,148	(21.1)%
Operating Margin.....	6.6%	8.6%	

Primarily due to an increase in comparable store sales of approximately 4%, net sales from footwear retail operations increased 3.1% in the quarter ended October 31, 1995 compared to the previous year, despite the operation of 5% fewer stores in the third quarter ended October 31, 1995. The average price per pair in the quarter ended October 31, 1995 increased 8% as compared to the same period last year, while unit sales were down 10%, because of heavy discounting during the third quarter last year in connection with the closing of five retail stores as part of a restructuring plan adopted in the fourth quarter of Fiscal 1994 (the "1994 Restructuring").

Gross margin as a percentage of net sales decreased from 51.5% to 50.0%, primarily from price pressures on branded products as well as increased markdowns to stimulate sales in the Company's boot outlets. Operating expenses increased about 1%, primarily due to increased advertising and rent expense but decreased as a percentage of net sales from 42.8% to 41.8%.

The decrease in operating income excluding restructuring and other charges in the third quarter ended October 31, 1995 compared to the same period last year was due primarily to lower earnings in the Company's boot outlets.

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During the third quarter ended October 31, 1995 the Company implemented SFAS No. 121 resulting in a \$978,000 charge to retail earnings. See "Significant Developments - Adoption of New Accounting Standard."

Footwear Wholesale & Manufacturing

	Three Months		%
	Ended October 31,		
	1995	1994	Change
(In Thousands)			
Net Sales.....	\$50,441	\$ 63,495	(20.6)%
Operating Income before Restructuring and Other Charges..	\$ 4,367	\$ 2,367	84.5%
Restructuring and Other Charges..	\$ 1,170	\$(20,578)	-
Operating Income (Loss).....	\$ 5,537	\$(18,211)	-
Operating Margin.....	11.0%	(28.7)%	

Net sales from footwear wholesale and manufacturing operations were \$13.1 million (20.6%) lower in the third quarter ended October 31, 1995 than in the same period last year, reflecting primarily lower sales from the operations divested as part of the 1995 Restructuring. Sales from ongoing operations were up 9.9%, reflecting primarily increased men's branded footwear sales, which more than offset decreased sales of western boots, primarily attributable to lower unit sales.

Gross margin as a percentage of net sales increased from 24.6% to 28.8% primarily from improved overhead absorption due to the closing of a footwear plant in February as part of the 1995 Restructuring.

Operating expenses decreased 19.0% but increased as a percentage of net sales from 21.0% to 21.4%, primarily because of increased bad debt and advertising expenses.

For the three months ended October 31, 1994, the University Brands and Mitre Sports businesses that were disposed of in the 1995 Restructuring had net sales of \$18,980,000 and an operating loss before Restructuring Provision of \$1,340,000. The operating results subsequent to October 31, 1994 have been charged against the Restructuring Provision.

The increase in operating income before restructuring and other charges, excluding the \$1,340,000 divested operations' operating loss for the three months ended October 31, 1994, is due primarily to increased sales of men's branded footwear and improvements in gross margin.

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#### Discontinued Operations

On November 3, 1994, in response to worsening trends in the Company's men's apparel business, the Company's board of directors approved a plan to exit the men's apparel business. See "Significant Developments-Fiscal 1995 Restructuring" and Note 2 to the Consolidated Financial Statements for information regarding the discontinuation of this business segment. Net sales and operating loss of the men's apparel segment for the three months ended October 31, 1994, which was prior to the decision to discontinue, were \$24.6 million and \$1.6 million, respectively.

#### Corporate and Interest Expenses

Corporate and other expenses in the three months ended October 31, 1995 were \$2.9 million, compared to \$6.5 million last year, a decrease of approximately 56%. Included in last year's corporate and other expenses are provisions of \$659,000 for environmental litigation and \$2.3 million of severance costs, including \$1.3 million of which related to the 1995 Restructuring. The decrease in corporate expenses, excluding the above provisions, is attributable primarily to lower professional fees and other expense reductions related to the Restructurings.

Interest expense decreased \$585,000, or 18%, from last year, because of a decrease in borrowings while interest income increased \$121,000 from last year due to increased short-term investments. Borrowings under the Company's revolving credit facility during the three months ended October 31, 1995 averaged \$681,000 compared to average borrowings of \$36.9 million last year.

#### Other Income

Operating results of stores identified for closure and businesses to be divested pursuant to the 1994 and 1995 Restructurings are included in the Company's sales, cost of sales and selling and administrative expenses. The net operating losses or gains incurred by these operations subsequent to the decision to divest are charged against the restructuring reserves established to provide for such losses or gains. The elimination of these losses from the Company's results of operations for the three months ended October 31, 1995 is presented as other income in the Consolidated Earnings Statement. Such operating losses totaled \$0.5 million for the three months ended October 31, 1995.

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RESULTS OF OPERATIONS - NINE MONTHS ENDED OCTOBER 31 FISCAL 1996 COMPARED TO FISCAL 1995

The Company's net sales from continuing operations for the nine months ended October 31, 1995 decreased 6.7% from the previous year reflecting primarily lower sales from the operations divested as part of the 1995 Restructuring. Net sales from ongoing operations increased 3.5% from the previous year. Total gross margin for the nine months decreased 3.2% but increased as a percentage of net sales from 37.7% to 39.2%. Selling and administrative expenses decreased 8.3% and decreased as a percentage of net sales from 36.7% to 36.1%. The pretax loss in the nine months ended October 31, 1995 was \$10.3 million, compared to a pretax loss of \$22.5 million for the nine months ended October 31, 1994. The pretax loss for the nine months ended October 31, 1995 includes a \$15.2 million increase in the 1995 Restructuring Charge, a \$978,000 charge for impaired assets due to the implementation of SFAS No. 121 and recognition of a \$1.8 million gain from the favorable resolution of a claim relating to import duties. Included in last year's pretax loss is the \$22.1 million 1995 Restructuring Charge and the recognition of \$4.9 million of additional gain on the sale in 1987 of the Company's Canadian operations following the settlement in the second quarter of certain claims arising out of that transaction. The Company reported net earnings of \$4,067,000 (\$0.16 per share) for the nine months ended October 31, 1995 compared to a net loss of \$96.3 million (\$3.97 per share) in the nine months ended October 31, 1994. The nine months ended October 31, 1995 net earnings includes, in addition to the 1995 Restructuring Charge adjustment and the charge for impaired assets, a positive adjustment of \$14.4 million to the 1995 Restructuring Provision. The nine months ended October 31, 1994 net loss includes, in addition to the 1995 Restructuring Charge, a \$68.6 million 1995 Restructuring Provision. See Note 2 to the Consolidated Financial Statements and "Significant Developments - Fiscal 1995 Restructuring."

Footwear Retail

	Nine Months Ended October 31,		%
	----- 1995	1994 -----	
	(In Thousands)		
Net Sales.....	\$163,892	\$160,475	2.1%
Operating Income before Restructuring and Other Charges..	\$ 9,238	\$ 8,796	5.0%
Restructuring and Other Charges..	\$ (978)	\$ (236)	(314.4)%
Operating Income.....	\$ 8,260	\$ 8,560	(3.5)%
Operating Margin.....	5.0%	5.3%	



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Primarily due to an increase in comparable store sales of approximately 4%, net sales from footwear retail operations increased 2.1% in the nine months ended October 31, 1995 compared to the same period the previous year even though the Company operated 5% fewer stores in the nine months ended October 31, 1995. The average price per pair increased 9% in the nine months this year, while unit sales were down 8% as compared to the same period last year, because of heavy discounting during the period last year in connection with the closing of 39 retail stores as part of the 1994 Restructuring.

Gross margin as a percentage of net sales decreased from 51.2% to 49.7%, primarily from price pressures on branded products as well as increased markdowns to stimulate sales in the Company's boot outlets. Operating expenses decreased 2.8%, primarily due to the operation of fewer stores as a result of the 1994 Restructuring (see Note 2 to the Consolidated Financial Statements) and decreased as a percentage of net sales from 46.4% to 44.2%. In addition to the operation of fewer stores, expenses are down due to job eliminations as part of the 1995 Restructuring and lower selling salaries.

The increase in operating income excluding restructuring and other charges in the nine months ended October 31, 1995 compared to the same period last year was due primarily to the sales growth and the decrease in operating expenses.

Footwear Wholesale & Manufacturing

	Nine Months Ended October 31,		%
	1995	1994	Change

(In Thousands)

Net Sales.....	\$150,927	\$177,111	(14.8)%
Operating Income before Restructuring and Other Charges...	\$ 10,874	\$ 7,034	54.6%
Restructuring and Other Charges...	\$(15,159)	\$(20,578)	26.3%
Operating Loss.....	\$ (4,285)	\$(13,544)	68.4%
Operating Margin.....	(2.8)%	(7.6)%	

Net sales from footwear wholesale and manufacturing operations were \$26.2 million (14.8%) lower in the nine months ended October 31, 1995 than in the same period last year, reflecting lower sales from the operations divested as part of the 1995 Restructuring. Sales from ongoing operations were up 4.8%, reflecting primarily increased men's branded footwear and tanned leather sales, which more than offset decreased sales of western boots, primarily attributable to lower selling prices.

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Gross margin as a percentage of net sales increased from 25.5% to 27.8% primarily from improved overhead absorption due to the closing of a footwear plant in February 1995 as part of the 1995 Restructuring.

Operating expenses decreased 11.3%, primarily from the divestiture of University Brands in January 1995 and Mitre Sports in August 1995, but increased as a percentage of net sales from 21.8% to 22.7%, primarily because of the lower sales in operations to be divested and increased bad debt and royalty expenses.

For the nine months ended October 31, 1994, the University Brands and Mitre Sports businesses that were disposed of in the 1995 Restructuring had net sales of \$62.3 million and an operating loss before Restructuring Provision of \$0.2 million. The operating results subsequent to October 31, 1994 have been charged against the Restructuring Provision.

Included in the operating income from ongoing operations before restructuring and other charges for the nine months ended October 31, 1995 is a one-time gain of \$1.8 million from the favorable resolution of a claim relating to import duties. The increase in operating income before restructuring and other charges and the import duty claim, excluding \$0.2 million of divested operations' operating loss for the nine months ended October 31, 1994, is due primarily to increased sales of men's branded products and tanned leather and improvements in gross margin and expense reductions due to the 1995 Restructuring.

#### Discontinued Operations

On November 3, 1994, in response to worsening trends in the Company's men's apparel business, the Company's board of directors approved a plan to exit the men's apparel business. See "Significant Developments-Fiscal 1995 Restructuring" and Note 2 to the Consolidated Financial Statements for information regarding the discontinuation of this business segment. Net sales and operating loss of the men's apparel segment for the nine months ended October 31, 1994, which was prior to the decision to discontinue, were \$81.8 million and \$4.5 million, respectively.

#### Corporate and Interest Expenses

Corporate and other expenses in the first nine months ended October 31, 1995 were \$7.0 million, compared to \$13.3 million last year, a decrease of approximately 48%. Included in last year's corporate and other expenses are provisions of \$1.4 million for environmental litigation and \$2.3 million of severance costs, including \$1.3 million of which relates to the 1995 Restructuring. The decrease in corporate expenses, excluding the above provisions, is attributable primarily to lower professional fees and other expense reductions related to the Restructurings.

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Interest expense decreased \$1,567,000, or 17%, from last year, because of a decrease in borrowings while interest income increased \$261,000 because of increased short-term investments. Borrowings under the Company's revolving credit facility averaged \$245,000 during the nine months ended October 31, 1995 compared to \$31.7 million last year.

#### Other Income

Operating results of stores identified for closure and businesses to be divested pursuant to the 1994 and 1995 Restructurings are included in the Company's sales, cost of sales and selling and administrative expenses. The net operating losses incurred by these operations subsequent to the decision to divest are charged against the restructuring reserves established to provide for such losses. The elimination of these losses from the Company's results of operations for the nine months ended October 31, 1995 is presented as other income in the Consolidated Earnings Statement. Such operating losses totalled \$1.4 million for the nine months ended October 31, 1995. Also included in other income for the nine months ended October 31, 1995 is a \$1.8 million gain from the favorable resolution of a claim relating to import duties.

#### LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth certain financial data at the dates indicated. All dollar amounts are in millions.

	October 31,	
	----- 1994	1995 -----
Cash and short-term investments.....	\$ 22.6	\$ 5.6
Working capital.....	\$105.4	\$122.2
Long-term debt (includes current maturities)..	\$ 75.0	\$110.0
Current ratio .....	2.8x	2.2x

#### Working Capital

The Company's business is somewhat seasonal, with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year. Cash flow from operations is ordinarily generated principally in the fourth quarter of each fiscal year.

Cash provided by operating activities was \$6.6 million in the first nine months of Fiscal 1996 compared to \$13.1 million used by operating activities for the same period last year. The \$19.7 million improvement in cash flow from operating activities between the first nine months of Fiscal 1996 and the first nine months of Fiscal 1995 reflects primarily cash inflows from the liquidation of assets included in the 1995 Restructuring and lower seasonal requirements from the disposition of businesses included in the 1995 Restructuring.

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A \$0.8 million increase in inventories from January 31, 1995 levels reflected in the Consolidated Statement of Cash Flows was due primarily to planned seasonal increases which more than offset liquidation of inventories in connection with the 1995 Restructuring, while the \$6.7 million decrease in ongoing inventories compared with October 31, 1994 reflects lower inventory levels in the Company's boot and men's branded businesses.

As reflected in the Consolidated Statement of Cash Flows, accounts receivable at October 31, 1995 decreased \$3.8 million compared to January 31, 1995, primarily from collection of receivables in the operations being divested in the 1995 Restructuring. Ongoing accounts receivable at October 31, 1995 were \$0.7 million less than at October 31, 1994, primarily due to increased provisions for bad debts and customer deductions.

Cash provided (or used) due to changes in accounts payable and accrued liabilities in the Consolidated Statement of Cash Flows at October 31, 1995 and 1994 is as follows:

	Nine Months Ended October 31,	
	----- 1995 -----	----- 1994 -----
(In Thousands)		
Accounts payable.....	\$ 1,558	\$ 9,803
Accrued liabilities.....	(7,960)	(5,966)
	----- \$ (6,402) =====	----- \$ 3,837 =====

The fluctuations in accounts payable are due to changes in buying patterns, payment terms negotiated with individual vendors and changes in inventory levels.

The change in accrued liabilities was due primarily to payment of severance costs and liabilities related to the Restructurings.

There were only minimal revolving credit borrowings during the nine months ended October 31, 1995, as cash generated from the 1995 Restructuring more than offset seasonal working capital increases in the remaining operations. Revolving credit agreement borrowings increased by \$20 million during the nine months ended October 31, 1994 to finance seasonal working capital increases, to finance operations and to fund approximately \$4.6 million of costs associated with the Company's 1994 Restructuring.

#### Capital Expenditures

Total capital expenditures in Fiscal 1996 are expected to be approximately \$8.5 million, of which the Company has spent \$6.2 million for the nine months ended October 31, 1995. These include expected retail expenditures of \$4.7 million to open approximately 20 new retail stores and to complete 22 major store renovations. Capital expenditures for wholesale and manufacturing operations and other purposes are expected to be approximately \$3.8 million.

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Future Capital Needs

The Company expects that cash provided by operations will be sufficient to fund all of its capital expenditures through the remainder of Fiscal 1996. The approximately \$7.2 million of costs associated with the 1994 Restructuring and the 1995 Restructuring that are expected to be incurred during the next 12 months are expected to be partially offset by cash inflows from collection of the remaining accounts receivable in operations divested pursuant to the 1995 Restructuring and with the remaining costs funded from cash generated from operations or borrowings under the Company's revolving credit agreement.

The Company believes it will be able to comply with the financial covenants contained in its revolving credit agreement, as amended as of October 31, 1994, and that the commitments under that agreement would be adequate to meet the Company's credit needs until its scheduled expiration in August 1996. However, the Company expects to enter into a new revolving credit facility to replace the existing one prior to its scheduled expiration.

There were \$6.2 million of letters of credit outstanding under the revolving credit agreement at October 31, 1995.

The restricted payments covenant contained in the Company's revolving credit agreement and restricted payment covenant in the indenture under which the Company's 10 3/8% senior notes were issued prohibits the Company from declaring dividends on the Company's capital stock. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, \$2.30 Series 1, \$4.75 Series 3 and \$4.75 Series 4, and on its \$1.50 Subordinated Cumulative Preferred Stock is \$302,000. The Company currently has dividend arrearages in the amount of \$603,723 and is unable to predict when dividends may be reinstated.

## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

The Company has received and responded to a request for information dated October 23, 1995, from the New York State Department of Conservation regarding the site of a knitting mill operated by the Company or a former subsidiary from 1965 to 1969. The request recited the statutory basis but no specific factual basis for an inquiry regarding the site and the Company retains little information with respect to its former operations at the site. Consequently, the Company is unable to predict whether any further investigation of the site will occur or whether any such investigation would have any material effect on its financial condition or results of operations.

For additional information concerning legal proceedings, see Note 8 to the Consolidated Financial Statements which is incorporated herein by reference.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

At October 31, 1995 Genesco was in arrears with respect to dividends payable on the following classes of preferred stock:

CLASS OF STOCK	DATE DIVIDENDS PAID TO	ARREARAGE		
		BEGINNING OF QUARTER	THIS QUARTER	END OF QUARTER
\$2.30 Series 1	October 31, 1993	\$149,920	\$21,409	\$171,329
\$4.75 Series 3	October 31, 1993	163,191	23,313	186,504
\$4.75 Series 4	October 31, 1993	136,425	19,489	155,914
\$1.50 Subordinated Cumulative Preferred	October 31, 1993	78,720	11,256	89,976
TOTALS		\$528,256	\$75,467	\$603,723

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## EXHIBITS

(11) Computation of earnings per common and common share equivalent.

(27) Financial Data Schedule (for SEC use only)

## REPORTS ON FORM 8-K

None

SIGNATURE

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.

Genesco Inc.

/s/ James S. Gulmi

James S. Gulmi  
Chief Financial Officer  
December 15, 1995

## EXHIBIT 11

GENESCO INC.  
AND CONSOLIDATED SUBSIDIARIES  
Earnings Per Common and  
Common Share Equivalent

IN THOUSANDS	THREE MONTHS ENDED OCTOBER 31,				NINE MONTHS ENDED OCTOBER 31,			
	1995		1994		1995		1994	
	EARNINGS	SHARES	EARNINGS	SHARES	EARNINGS	SHARES	EARNINGS	SHARES
<b>PRIMARY EARNINGS (LOSS) PER SHARE</b>								
Earnings (loss) before discontinued operations	\$4,231		\$(22,973)		\$(10,285)		\$(23,222)	
Preferred dividend requirements	\$75		\$ 75		\$ 226		\$226	
-----								
Earnings (loss) before discontinued operations applicable to common stock and average common shares outstanding	\$4,156	24,346	\$(23,048)	24,337	\$(10,511)	24,344	\$(23,448)	24,320
Employees preferred and stock options deemed to be a common stock equivalent		509		-0-		-0-		-0-
-----								
Totals before discontinued operations	\$4,156	24,855	\$(23,048)	24,337	\$(10,511)	24,344	\$(23,448)	24,320
PER SHARE	\$ .17		\$ (.95)		\$ (.43)		\$ (.96)	
=====								
Net earnings (loss)	\$4,231		\$(93,160)		\$ 4,067		\$(96,349)	
Preferred dividend requirements	\$ 75		\$ 75		\$ 226		\$ 226	
-----								
Net earnings (loss) applicable to common stock and average common shares outstanding	\$4,156	24,346	\$(93,235)	24,337	\$ 3,841	24,344	\$(96,575)	24,320
Employees preferred and stock options deemed to be a common stock equivalent		509		-0-		-0-		-0-
-----								
Total net earnings (loss)	\$4,156	24,855	\$(93,235)	24,337	\$ 3,841	24,344	\$(96,575)	24,320
PER SHARE	\$ .17		\$ (3.83)		\$ .16		\$ (3.97)	
=====								
<b>FULLY DILUTED EARNINGS (LOSS) PER SHARE</b>								
Earnings (loss) before discontinued operations applicable to common stock and average common shares outstanding	\$4,156	24,855	\$(23,048)	24,337	\$(10,511)	24,344	\$(23,448)	24,320
Senior securities the conversion of which would dilute earnings per share		-0-		-0-		-0-		-0-
-----								
Totals before discontinued operations	\$4,156	24,855	\$(23,048)	24,337	\$(10,511)	24,344	\$(23,448)	24,320
PER SHARE	\$ .17		\$ (.95)		\$ (.43)		\$ (.96)	
=====								
Net earnings (loss) applicable to common stock and average common shares outstanding	\$4,156	24,855	\$(93,235)	24,337	\$ 3,841	24,344	\$(96,575)	24,320
Senior securities the conversion of which would dilute earnings per share		-0-		-0-		-0-		-0-
-----								
Total net earnings (loss)	\$4,156		\$(93,235)	24,337	\$ 3,841	24,344	\$(96,575)	24,320
PER SHARE	\$ .17		\$(3.83)		\$ .16		\$ (3.97)	
=====								

All figures in thousands except amount per share.



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S THIRD QUARTER FISCAL 1996 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS		
	JAN-31-1996	
	FEB-01-1995	
	OCT-31-1995	
		22,575
		0
		39,771
		1,637
		91,974
	163,016	
		84,544
		56,354
	204,618	
	57,580	
		76,749
		24,838
	0	
		7,945
		724
204,618		
		314,819
	314,819	
		191,491
		191,491
		0
		1,921
	7,586	
	(10,263)	
		22
(10,285)		
	14,352	
		0
		0
		4,067
		.16
		.16