

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended January 30, 2016**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**for the transition period from to**

**Commission File No. 1-3083**

**Genesco Inc.**

(Exact name of registrant as specified in its charter)

**Tennessee**

(State or other jurisdiction of  
incorporation or organization)

**62-0211340**

(I.R.S. Employer  
Identification No.)

**Genesco Park, 1415 Murfreesboro Road  
Nashville, Tennessee**

(Address of principal executive offices)

**37217-2895**

(Zip Code)

**Registrant's telephone number, including area code: (615) 367-7000**

**Securities Registered Pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of Exchange on which Registered</b>
Common Stock, \$1.00 par value	New York
Preferred Share Purchase Rights	New York

**Securities Registered Pursuant to Section 12(g) of the Act:**

**Employees' Subordinated Convertible Preferred Stock**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer; an accelerated filer; a non-accelerated filer; or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes  No

The aggregate market value of common stock held by nonaffiliates of the registrant as of August 1, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1,539,000,000. The market value calculation was determined using a per share price of \$64.69, the price at which the common stock was last sold on the New York Stock Exchange on such date. For purposes of this calculation, shares held by nonaffiliates excludes only those shares beneficially owned by officers, directors, and shareholders owning 10% or more of the outstanding common stock (and, in each case, their immediate family members and affiliates).

As of March 11, 2016, 21,312,624 shares of the registrant's common stock were outstanding.

### **Documents Incorporated by Reference**

Portions of the proxy statement for the June 23, 2016 annual meeting of shareholders are incorporated into Part III by reference.

## TABLE OF CONTENTS

	<b>Page</b>	
<b><u>PART I</u></b>		
<a href="#">Item 1.</a>	<a href="#">Business</a>	<a href="#">3</a>
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	<a href="#">8</a>
<a href="#">Item 1B.</a>	<a href="#">Unresolved Staff Comments</a>	<a href="#">15</a>
<a href="#">Item 2.</a>	<a href="#">Properties</a>	<a href="#">15</a>
<a href="#">Item 3.</a>	<a href="#">Legal Proceedings</a>	<a href="#">16</a>
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a>	<a href="#">18</a>
<a href="#">Item 4A.</a>	<a href="#">Executive Officers</a>	<a href="#">19</a>
<b><u>PART II</u></b>		
<a href="#">Item 5.</a>	<a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	<a href="#">20</a>
<a href="#">Item 6.</a>	<a href="#">Selected Financial Data</a>	<a href="#">22</a>
<a href="#">Item 7.</a>	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">24</a>
<a href="#">Item 7A.</a>	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">43</a>
<a href="#">Item 8.</a>	<a href="#">Financial Statements and Supplementary Data</a>	<a href="#">43</a>
<a href="#">Item 9.</a>	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	<a href="#">106</a>
<a href="#">Item 9A.</a>	<a href="#">Controls and Procedures</a>	<a href="#">106</a>
<a href="#">Item 9B.</a>	<a href="#">Other Information</a>	<a href="#">106</a>
<b><u>PART III</u></b>		
<a href="#">Item 10.</a>	<a href="#">Directors, Executive Officers and Corporate Governance</a>	<a href="#">107</a>
<a href="#">Item 11.</a>	<a href="#">Executive Compensation</a>	<a href="#">107</a>
<a href="#">Item 12.</a>	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	<a href="#">107</a>
<a href="#">Item 13.</a>	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	<a href="#">107</a>
<a href="#">Item 14.</a>	<a href="#">Principal Accounting Fees and Services</a>	<a href="#">107</a>
<b><u>PART IV</u></b>		
<a href="#">Item 15.</a>	<a href="#">Exhibits and Financial Statement Schedules</a>	<a href="#">108</a>

**PART I****ITEM 1, BUSINESS****General**

Genesco Inc. ("Genesco" or the "Company") is a leading retailer and wholesaler of branded footwear, apparel and accessories with net sales for Fiscal 2016 of \$3.02 billion. During Fiscal 2016, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys, Little Burgundy, acquired in the fourth quarter of Fiscal 2016, and Underground by Journeys retail footwear chains, e-commerce operations and catalog; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised of (a) headwear and accessory stores under the Lids® name and other names in the U.S., Puerto Rico and Canada, (b) the Lids Locker Room and Lids Clubhouse businesses, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, operating under various trade names, (c) licensed team merchandise departments in Macy's department stores operated under the name Locker Room by Lids and on macys.com under a license agreement with Macy's, (d) e-commerce operations and (e) an athletic team dealer business operating as Lids Team Sports, which was sold in the fourth quarter of Fiscal 2016; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce operations and catalog and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers® footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip® Footwear, occupational footwear primarily sold directly to consumers; and other brands.

At January 30, 2016, the Company operated 2,852 retail footwear, headwear and sports apparel and accessory stores and leased departments located primarily throughout the United States and in Puerto Rico, but also including 151 headwear and sports apparel and accessory stores and 82 footwear stores in Canada and 125 footwear stores in the United Kingdom, the Republic of Ireland and Germany. It currently plans to open a total of approximately 130 new retail stores and to close approximately 56 retail stores in Fiscal 2017. At January 30, 2016, Journeys Group operated 1,222 stores, Schuh Group operated 125 stores, Lids Sports Group operated 1,332 stores and Johnston & Murphy Group operated 173 retail shops and factory stores.

The following table sets forth certain additional information concerning the Company's retail footwear, headwear and sports apparel and accessory stores and leased departments during the five most recent fiscal years:

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
<b>Retail Stores and Leased Departments</b>					
Beginning of year	2,309	2,387	2,459	2,568	2,824
Opened during year	70	104	183	273	81
Acquired during year	85	33	15	56	37
Closed during year	(77)	(65)	(89)	(73)	(90)
End of year	<u>2,387</u>	<u>2,459</u>	<u>2,568</u>	<u>2,824</u>	<u>2,852</u>

The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand, the Trask brand, the licensed Dockers® brand and other brands that the Company licenses for men's footwear to over 1,275 retail accounts in the United States, including a number of leading department, discount, and specialty stores.

Shorthand references to fiscal years (e.g., "Fiscal 2016") refer to the fiscal year ended on the Saturday nearest January 31<sup>st</sup> in the named year (e.g., January 30, 2016). The terms "Company," "Genesco," "we," "our" or "us" as used herein and unless otherwise stated or indicated by context refer to Genesco Inc. and its subsidiaries. All information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is referred to in Item 1 of this report, is incorporated by such reference in Item 1. This report contains forward-looking statements. Actual results may vary materially and adversely from the expectations reflected in these statements. For a discussion of some of the factors that may lead to different results, see Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Available Information**

The Company files reports with the Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports from time to time. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F. Street, NE, Washington, DC 20549. The public may obtain

information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer and the SEC maintains an internet site at <http://www.sec.gov> that contains the reports, proxy and information statements, and other information filed electronically. The Company's website address is <http://www.genesco.com>. The Company's website address is provided as an inactive textual reference only. The Company makes available free of charge through the website annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Copies of the charters of each of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as the Company's Corporate Governance Guidelines and Code of Ethics along with position descriptions for the Company's board of directors (the "Board of Directors" or the "Board") and Board committees are also available free of charge through the website. The information provided on the Company's website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically incorporated elsewhere in this report.

## **Segments**

### *Journeys Group*

The Journeys Group segment, including Journeys, Journeys Kidz, Shi by Journeys, Little Burgundy and Underground by Journeys retail stores, catalog and e-commerce operations, accounted for approximately 41% of the Company's net sales in Fiscal 2016. For Fiscal 2016, same store sales increased 5%, comparable direct sales increased 18% and comparable sales, including both store and direct sales, increased 5% from the prior fiscal year. Earnings from operations attributable to Journeys Group was \$126.2 million in Fiscal 2016, with an operating margin of 10.1%. The Company believes that the Journeys Group's distinctive store formats, its mix of well-known brands and new product introductions, and its experienced management team provide significant competitive advantages for the Journeys Group.

At January 30, 2016, Journeys Group operated 1,222 stores, including 200 Journeys Kidz stores, 46 Shi by Journeys stores, 36 Little Burgundy stores and 98 Underground by Journeys stores averaging approximately 1,925 square feet, throughout the United States and in Puerto Rico and Canada, selling footwear and accessories for young men, women and children.

Journeys retail footwear stores target customers in the 13 to 22 year age group through the use of youth-oriented decor and multi-channel media. Journeys stores carry predominately branded merchandise across a wide range of prices. The Journeys Kidz retail footwear stores sell footwear and accessories primarily for younger children ages five to 12. Shi by Journeys retail footwear stores sell footwear and accessories to a target customer group consisting of fashion-conscious women in their early 20's to mid 30's. Little Burgundy retail footwear stores sell footwear and accessories to fashion-oriented men and women in the 18 to 34 age group ranging from students to young professionals. Underground by Journeys retail footwear stores sell footwear and accessories primarily for men and women in the 20 to 35 age group. In Fiscal 2016, the Journeys Group added 40 net new stores, which includes 36 Little Burgundy stores acquired in Fiscal 2016, and plans to open approximately 63 net new stores in Fiscal 2017.

### *Lids Sports Group*

The Lids Sports Group segment, as described above, accounted for approximately 32% of the Company's net sales in Fiscal 2016. For Fiscal 2016, same store sales increased 3%, comparable direct sales increased 46% and comparable sales, including both store and direct sales, increased 6% from the prior fiscal year. Earnings from operations attributable to Lids Sports Group was \$17.0 million in Fiscal 2016, with an operating margin of 1.7%.

At January 30, 2016, Lids Sports Group operated 1,332 stores, including 919 Lids stores, 228 Lids Locker Room and Clubhouse stores and 185 Locker Room by Lids leased departments, averaging approximately 1,175 square feet, throughout the United States and in Puerto Rico and Canada. Lids Sports Group added 27 new stores and leased departments but closed 59 stores and leased departments in Fiscal 2016, and plans to open one net new store in Fiscal 2017.

The core headwear stores and kiosks, located in malls, airports, street-level stores and factory outlet stores throughout the United States and in Puerto Rico and Canada, target customers in the early-teens to mid-20's age group. In general, the stores offer headwear from an assortment of college, MLB, NBA, NFL and NHL teams, as well as other specialty fashion categories. The Lids Locker Room and Lids Clubhouse stores, operating under a number of trade names, located in malls and other locations primarily in the United States and Canada, target sports fans of all ages. These stores offer headwear, apparel, accessories and novelties representing an assortment of college and professional teams. The Locker Room by Lids leased departments in Macy's department stores offer headwear, apparel, accessories and novelties representing an assortment of college and professional teams specific to that particular Macy's department store geographic location.

### *Schuh Group*

The Schuh Group segment, including e-commerce operations, accounted for approximately 14% of the Company's net sales in Fiscal 2016. For Fiscal 2016, same store sales increased 1%, comparable direct sales increased 13% and comparable sales, including both store and direct sales, increased 3%. Earnings from operations attributable to Schuh Group was \$19.1 million in Fiscal 2016, with an operating margin of 4.7%. Earnings from operations for Schuh included \$1.5 million in compensation expense related to a deferred purchase price obligation in connection with the Company's acquisition of Schuh during Fiscal 2012.

At January 30, 2016, Schuh Group operated 115 Schuh stores, averaging approximately 5,000 square feet, which include both street-level and mall locations in the United Kingdom, the Republic of Ireland and Germany. Schuh Group opened its first Schuh Kids store in Fiscal 2013. As of January 30, 2016, Schuh Group operated ten Schuh Kids stores averaging 2,675 square feet. Schuh Group opened 17 net new stores in Fiscal 2016 and plans to open approximately 7 net new Schuh and Schuh Kids stores in Fiscal 2017. Schuh stores target men and women in the 15 to 30 age group, selling a broad range of branded casual and athletic footwear along with a meaningful private label offering.

### *Johnston & Murphy Group*

The Johnston & Murphy Group segment, including retail stores, catalog and e-commerce operations and wholesale distribution, accounted for approximately 9% of the Company's net sales in Fiscal 2016. Same store sales for Johnston & Murphy retail operations increased 5%, comparable direct sales increased 11% and comparable sales, including both store and direct sales, increased 6% for Fiscal 2016. Earnings from operations attributable to Johnston & Murphy Group was \$17.8 million in Fiscal 2016, with an operating margin of 6.4%. The majority of Johnston & Murphy wholesale sales are of the Genesco-owned Johnston & Murphy brand, and all of the group's retail sales are of Johnston & Murphy branded products.

**Johnston & Murphy Retail Operations.** At January 30, 2016, Johnston & Murphy operated 173 retail shops and factory stores throughout the United States and in Canada averaging approximately 1,875 square feet and selling footwear, apparel and accessories primarily for men in the 35 to 55 age group, targeting business and professional customers. Women's footwear and accessories are sold in select Johnston & Murphy locations. Johnston & Murphy retail shops are located primarily in better malls and airports nationwide and sell a broad range of men's dress and casual footwear, apparel and accessories. The Company also sells Johnston & Murphy products directly to consumers through an e-commerce website and a direct mail catalog. Retail prices for Johnston & Murphy footwear generally range from \$100 to \$275. Total footwear accounted for 65% of total Johnston & Murphy retail sales in Fiscal 2016, with the balance consisting primarily of apparel and accessories. Johnston & Murphy Group added three net new shops and factory stores and plans to open approximately three net new shops and factory stores in Fiscal 2017.

**Johnston & Murphy Wholesale Operations.** Johnston & Murphy men's and women's footwear and accessories are sold at wholesale, primarily to better department and independent specialty stores. Johnston & Murphy's wholesale customers offer the brand's footwear for dress, dress casual, and casual occasions, with the majority of styles offered in these channels selling from \$100 to \$195. Additionally, the Company offers the Trask brand, with men's and women's footwear and leather accessories offered primarily through better independent retailers and department stores, an e-commerce website and catalog. Suggested retail prices for Trask footwear range from \$195 to \$495.

### *Licensed Brands*

The Licensed Brands segment accounted for approximately 4% of the Company's net sales in Fiscal 2016. Earnings from operations attributable to Licensed Brands was \$9.2 million in Fiscal 2016, with an operating margin of 8.4%. Licensed Brands sales include footwear marketed under the Dockers® brand, for which Genesco has had the exclusive men's footwear license in the United States since 1991. See "Licenses". Dockers footwear is marketed to men aged 30 to 55 through many of the same national retail chains that carry Dockers slacks and sportswear and in department and specialty stores across the country. Suggested retail prices for Dockers footwear generally range from \$50 to \$90. The Company acquired Keuka Footwear in the third quarter of Fiscal 2011 and subsequently launched its SureGrip Footwear line of slip-resistant, occupational footwear within the Licensed Brands segment from that base. The Company sources and distributes the SureGrip line to employees in the hospitality, healthcare, and other industries. The Company also sells footwear under other licenses and in March 2015 entered into a License Agreement to source and distribute certain men's and women's footwear under the G.H. Bass trademark and related marks.

For further information on the Company's business segments, see Note 14 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## **Manufacturing and Sourcing**

The Company relies on independent third-party manufacturers for production of its footwear products sold at wholesale. The Company sources footwear and accessory products from foreign manufacturers located in Bangladesh, Brazil, Cambodia, Canada, China, Dominican Republic, El Salvador, France, Germany, Hong Kong, India, Indonesia, Italy, Mexico, Netherlands, Portugal, Peru, Romania, Taiwan and Vietnam. The Company's retail operations source primarily branded products from third parties, who source primarily overseas.

## **Competition**

Competition is intense in the footwear, headwear, sports apparel and accessory industries. The Company's retail footwear, headwear, sports apparel and accessory competitors range from small, locally owned stores to regional and national department stores, discount stores, specialty chains and online retailers. The Company also competes with hundreds of footwear wholesale operations in the United States and throughout the world, most of which are relatively small, specialized operations, but some of which are large, more diversified companies. Some of the Company's competitors have resources that are not available to the Company. The Company's success depends upon its ability to remain competitive with respect to the key factors of style, price, quality, comfort, brand loyalty, customer service, store location and atmosphere and the ability to offer distinctive products.

## **Licenses**

The Company owns its Johnston & Murphy<sup>®</sup>, H.S. Trask<sup>®</sup>, Keuka<sup>®</sup> and SureGrip<sup>®</sup> brands and owns or licenses the trade names of its retail concepts either directly or through wholly-owned subsidiaries. The Dockers<sup>®</sup> brand footwear line, introduced in Fiscal 1993, is sold under a license agreement granting the Company the exclusive right to sell men's footwear under the trademark in the United States, Canada and Mexico and in certain other Latin American countries. The Dockers license agreement has been renewed for a term expiring on November 30, 2018. Net sales of Dockers products were approximately \$78 million in Fiscal 2016 and approximately \$82 million in Fiscal 2015. The Company licenses certain of its footwear brands, mostly in foreign markets. License royalty income was not material in Fiscal 2016.

## **Wholesale Backlog**

Most of the orders in the Company's wholesale divisions are for delivery within 150 days. Because most of the Company's business is at-once, the backlog at any one time is not necessarily indicative of future sales. As of February 27, 2016, the Company's wholesale operations had a backlog of orders, including unconfirmed customer purchase orders, amounting to approximately \$32.8 million, compared to approximately \$56.3 million on February 28, 2015. The backlog for Fiscal 2015 included Lids Team Sports, which the Company sold in the fourth quarter of Fiscal 2016. The backlog is somewhat seasonal, reaching a peak in the spring. The Company maintains in-stock programs for selected product lines with anticipated high volume sales.

## **Employees**

Genesco had approximately 27,500 employees at January 30, 2016, approximately 130 of whom were employed in corporate staff departments and the balance in operations. Retail stores employ a substantial number of part-time employees, and approximately 18,275 of the Company's employees were part-time at January 30, 2016.

## **Seasonality**

The Company's business is seasonal with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year and a significant portion of the Company's net sales and operating earnings generated during the fourth quarter.

## **Properties**

At January 30, 2016, the Company operated 2,852 retail footwear, headwear and sports apparel and accessory stores and leased departments throughout the United States and in Puerto Rico, Canada, the United Kingdom, the Republic of Ireland and Germany. New shopping center store leases in the United States, Puerto Rico and Canada typically are for a term of approximately 10 years. New store leases in the United Kingdom, the Republic of Ireland and Germany typically have terms of between 10 and 15 years. Both typically provide for rent based on a percentage of sales against a fixed minimum rent based on the square footage leased.

The general location, use and approximate size of the Company's principal properties are set forth below:

Location	Owned/Leased	Segment	Use	Approximate Area Square Feet
Lebanon, TN	Owned	Journeys Group	Distribution warehouse	320,000
Indianapolis, IN	Leased	Lids Sports Group	Distribution warehouse	311,600
Nashville, TN	Leased	Various	Executive & footwear operations offices	306,455 *
Indianapolis, IN	Leased/Subleased	Lids Sports Group	Distribution warehouse	271,825 **
Bathgate, Scotland	Owned	Schuh Group	Distribution warehouse	244,644
Chapel Hill, TN	Owned	Licensed Brands	Distribution warehouse	182,000
Fayetteville, TN	Owned	Johnston & Murphy Group	Distribution warehouse	178,500
Zionsville, IN	Owned	Lids Sports Group	Administrative offices	150,000
Deans Industrial Estate, Livingston, Scotland	Owned	Schuh Group	Distribution warehouse and administrative offices	106,813
Nashville, TN	Owned	Journeys Group	Distribution warehouse	63,000
Mississauga, Ontario, Canada	Leased	Lids Sports Group	Distribution warehouses	43,611

\* The Company occupies approximately 85% of the building and subleases the remainder of the building.

\*\* The Company occupies approximately 25% of the building and subleases the remainder of the building.

The lease on the Company's Nashville office expires in April 2017, with an option to renew for an additional five years. The Company believes that all leases of properties that are material to its operations may be renewed, or that alternative properties are available, on terms not materially less favorable to the Company than existing leases.

### **Environmental Matters**

The Company's former manufacturing operations and the sites of those operations as well as the sites of its current operations are subject to numerous federal, state, and local laws and regulations relating to human health and safety and the environment. These laws and regulations address and regulate, among other matters, wastewater discharge, air quality and the generation, handling, storage, treatment, disposal, and transportation of solid and hazardous wastes and releases of hazardous substances into the environment. In addition, third parties and governmental agencies in some cases have the power under such laws and regulations to require remediation of environmental conditions and, in the case of governmental agencies, to impose fines and penalties. Several of the facilities owned by the Company (currently or in the past) are located in industrial areas and have historically been used for extensive periods for industrial operations such as tanning, dyeing, and manufacturing. Some of these operations used materials and generated wastes that would be considered regulated substances under current environmental laws and regulations. The Company currently is involved in certain administrative and judicial environmental proceedings relating to the Company's former facilities. See Item 3, "Legal Proceedings" and Note 13 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data".



## **ITEM 1A, RISK FACTORS**

Our business is subject to significant risks. You should carefully consider the risks and uncertainties described below and the other information in this Form 10-K, including our Consolidated Financial Statements and the notes to those statements. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we do not presently know about or that we currently consider immaterial may also affect our business operations and financial performance. If any of the events described below actually occur, our business, financial condition or results of operations could be adversely affected in a material way. This could cause the trading price of our stock to decline, perhaps significantly, and you may lose part or all of your investment.

### **Poor economic conditions and other factors can affect consumer spending and may significantly harm our business, affecting our financial condition, liquidity, and results of operations.**

The success of our business depends to a significant extent upon the level of consumer spending. A number of factors may affect the level of consumer spending on merchandise that we offer, including, among other things:

- general economic, industry and weather conditions;
- energy costs, which affect gasoline and home heating prices;
- the level of consumer debt;
- pricing of products;
- interest rates;
- tax rates, refunds and policies;
- war, terrorism and other hostilities; and
- consumer confidence in future economic conditions.

Adverse economic conditions and any related decrease in consumer demand for discretionary items could have a material adverse effect on our business, results of operations and financial condition. The merchandise we sell generally consists of discretionary items. Reduced consumer confidence and spending may result in reduced demand for discretionary items and may force us to take inventory markdowns, decreasing sales and making expense leverage difficult to achieve. Demand can also be influenced by other factors beyond our control. For example, sales in the Lids Sports Group segment have historically been affected by developments in team sports, and could be adversely impacted by player strikes or other interruptions, as well as by the performance and reputation of certain teams and players.

Moreover, while the Company believes that its operating cash flows and its borrowing capacity under committed lines of credit will be more than adequate for its anticipated cash requirements, if the economy were to experience a renewed downturn, or if one or more of the Company's revolving credit banks were to fail to honor its commitments under the Company's credit lines, the Company could be required to modify its operations for decreased cash flow or to seek alternative sources of liquidity, and such alternative sources might not be available to the Company.

### **Our business involves a degree of fashion risk.**

The majority of our businesses serve a fashion-conscious customer base and depend upon the ability of our buyers and merchandisers to react to fashion trends, to purchase inventory that reflects such trends, and to manage our inventories appropriately in view of the potential for sudden changes in fashion, consumer taste, or other drivers of demand, including the performance and popularity of individual sports teams and athletes. Failure to continue to execute any of these activities successfully could result in adverse consequences, including lower sales, product margins, operating income and cash flows.

### **Our business and results of operations are subject to a broad range of uncertainties arising out of world and domestic events.**

Our business and results of operations are subject to uncertainties arising out of world and domestic events, which may impact not only consumer demand, but also our ability to obtain the products we sell, most of which are produced outside the countries in which we operate. These uncertainties may include a global economic slowdown, changes in consumer spending or travel, increase in gasoline and natural gas prices, and the economic consequences of natural disasters, military action or terrorist activities and increased regulatory and compliance burdens related to governmental actions in response to a variety of factors, including but not limited to national security and anti-terrorism concerns and concerns about climate

change. Any future events arising as a result of terrorist activity or other world events may have a material impact on our business, including the demand for and our ability to source products, and consequently on our results of operations and financial condition.

**The increasing scope of our non-U.S. operations exposes our performance to risks including foreign economic conditions and exchange rate fluctuations.**

Our performance depends in part on general economic conditions affecting all countries in which we do business. We are dependent on foreign manufacturers for the products we sell, and our inventory is subject to cost and availability of foreign materials and labor. In addition to the other risks disclosed herein, demand for our product offering in our non-U.S. operations is also subject to local market conditions. As a result, there can be no assurance that Schuh's or our Canadian operations' future performance will not be adversely affected by economic conditions in their markets.

As we expand our international operations, we also increase our exposure to exchange rate fluctuations. Sales from stores outside the U.S. are denominated in the currency of the country in which these operations or stores are located and changes in foreign exchange rates affect the translation of the sales and earnings of these businesses into U.S. dollars for financial reporting purposes. Additionally, inventory purchase agreements may also be denominated in the currency of the country where the vendor resides.

**Our business is intensely competitive and increased or new competition could have a material adverse effect on us.**

The retail footwear, headwear, sports apparel and accessory markets are intensely competitive. We currently compete against a diverse group of retailers, including other regional and national specialty stores, department and discount stores, small independents and e-commerce retailers, which sell products similar to and often identical to those we sell. Our branded businesses, selling footwear at wholesale, also face intense competition, both from other branded wholesale vendors and from private label initiatives of their retailer customers. A number of different competitive factors could have a material adverse effect on our business, results of operations and financial condition, including:

- increased operational efficiencies of competitors;
- competitive pricing strategies;
- expansion by existing competitors;
- entry by new competitors into markets in which we currently operate; and
- adoption by existing retail competitors of innovative store formats or sales methods.

**Use of social media may adversely impact our reputation or subject us to fines or other penalties.**

There has been a substantial increase in the use of social media platforms and similar devices, including blogs, social media websites, and other forms of internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our associates or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our reputation or subject us to fines or other penalties.

Consumers value readily available information concerning retailers and their goods and services and often act on such information without further investigation and without regard to its accuracy. Information concerning us may be posted on social media platforms and similar devices at any time and may be adverse to our reputation or business. The harm may be immediate without affording us an opportunity for redress or correction. Damage to our reputation could result in declines in customer loyalty and sales, affect our vendor relationships, development opportunities and associate retention and otherwise adversely affect our business.

**If we are unsuccessful in establishing and protecting our intellectual property, the value of our brands could be adversely affected.**

Our ability to remain competitive is dependent upon our continued ability to secure and protect trademarks, patents and other intellectual property rights in the U.S. and internationally for all of our lines of business. We rely on a combination of trade secret, patent, trademark, copyright and other laws, license agreements and other contractual provisions and technical measures to protect our intellectual property rights; however, some countries' laws do not protect intellectual property rights to the same extent U.S. laws do.

Our business could be significantly harmed if we are not able to protect our intellectual property, or if a court found us to be infringing on other persons' intellectual property rights. Any future intellectual property lawsuits or threatened lawsuits in which we are involved, either as a plaintiff or as a defendant, could cost us a significant amount of time and money and distract management's attention from operating our business. If we do not prevail on any intellectual property claims, then we may have to change our manufacturing processes, products or trade names, any of which could reduce our profitability.

**We are dependent on third-party vendors for the merchandise we sell.**

We do not manufacture the merchandise we sell. This means that our product supply is subject to the ability and willingness of third-party suppliers to deliver merchandise we order on time and in the quantities and of the quality we need. In addition, a material portion of our retail footwear sales consists of products marketed under brands, belonging to unaffiliated vendors, which have fashion significance to our customers. Our core retail hat and sports apparel businesses are dependent upon products bearing sports and other logos, each generally controlled by a single licensee/vendor. If those vendors were to decide not to sell to us or to limit the availability of their products to us, or if they become unable because of economic conditions, work stoppages, strikes, political unrest, raw materials supply disruptions, or any other reason to supply us with products, we could be unable to offer our customers the products they wish to buy and could lose their business to competitors. Additionally, manufacturers are required to remain in compliance with certain wage, labor and environment-related laws and regulations. Delayed compliance or complete failure to comply with such laws and regulations by our vendors could adversely affect our ability to obtain products generally or at favorable costs, affecting our overall ability to maintain and manage inventory levels.

**An increase in the cost or a disruption in the flow of our imported products may significantly decrease our sales and profits.**

Merchandise originally manufactured and imported from overseas makes up a large proportion of our total inventory. A disruption in the shipping of our imported merchandise or an increase in the cost of those products may significantly decrease our sales and profits. We may be unable to meet our customers' demands or pass on price increases to our customers. In addition, if imported merchandise becomes more expensive or unavailable, the transition to alternative sources may not occur in time to meet demand. Products from alternative sources may also be of lesser quality or more expensive than those we currently import. Risks associated with our reliance on imported products include:

disruptions in the shipping and importation of imported products because of factors such as:

- raw material shortages, work stoppages, strikes and political unrest;
- problems with oceanic shipping, including shipping container shortages and delays in ports;
- increased customs inspections of import shipments or other factors that could result in penalties causing delays in shipments;
- economic crises, natural disasters, international disputes and wars; and
- increases in the cost of purchasing or shipping foreign merchandise resulting from:
  - imposition of additional cargo or safeguard measures;
  - denial by the United States of "most favored nation" trading status to or the imposition of quotas or other restriction on imports from a foreign country from which we purchase goods;
  - import duties, import quotas and other trade sanctions; and
  - increases in shipping rates.

A significant amount of the inventory we sell is imported from the People's Republic of China, which has historically been subject to efforts to increase duty rates or to impose restrictions on imports of certain products.

A small portion of the products we buy abroad is priced in foreign currencies and, therefore, we are affected by fluctuating currency exchange rates. In the past, we have entered into foreign currency exchange contracts with major financial institutions to hedge these fluctuations. We might not be able to effectively protect ourselves in the future against currency rate fluctuations, and our financial performance could suffer as a result. Even dollar-denominated foreign purchases may be affected by currency fluctuations, as suppliers seek to reflect appreciation in the local currency against the dollar in the price of the products that they provide. You should read Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information about our foreign currency exchange rate exposure and hedging activities.

**Increased operating costs could have an adverse effect on our results.**

Increased operating costs, including those resulting from potential increases in the minimum wage or wage increases reflecting competition in relevant labor markets, store occupancy costs, and other expense items, including healthcare costs, may reduce our operating margin and, by making it more difficult to identify new store locations that we believe will meet our investment return requirements, slow our growth. In addition, other employment and healthcare law changes may increase the cost of provided retirement, pension and healthcare benefits expenses. Increases in the Company's overall employment costs could have a material adverse effect on the Company's business, results of operations and financial and competitive position.

**The operation of the Company's business is heavily dependent on its information systems.**

We depend on a variety of information technology systems for the efficient functioning of our business and security of information. Much information essential to our business is maintained electronically, including competitively sensitive information and potentially sensitive personal information about customers and employees. Our insurance policies may not provide coverage for security breaches and similar incidents or may have coverage limits which may not be adequate to reimburse us for losses caused by security breaches. We also rely on certain hardware and software vendors to maintain and periodically upgrade many of these systems so that they can continue to support our business. The software programs supporting many of our systems were licensed to the Company by independent software developers. The inability of these developers or the Company to continue to maintain and upgrade these information systems and software programs could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations or leave the Company vulnerable to security breaches.

We also rely heavily on our information technology staff. If we cannot meet our staffing needs in this area, we may not be able to fulfill our technology initiatives or to provide maintenance on existing systems.

**We are subject to payment-related risks that could increase our operating costs, expose us to fraud or theft, subject us to fraud or theft, subject us to potential liability and potentially disrupt our business.**

As a retailer who accepts payments using a variety of methods, including credit and debit cards, PayPal, and gift cards, the Company is subject to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. The regulatory environment related to information security and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs or accelerate these costs. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which could increase over time and raise our operating costs. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, and other forms of electronic payment. If these companies become unable to provide these services to us, or if their systems are compromised, it could disrupt our business.

The payment methods that we offer also subject us to potential fraud and theft by persons who seek to obtain unauthorized access to or exploit any weaknesses that may exist in the payment systems. The payment card industry established October 1, 2015 as the date on which it shifted liability for certain transactions to retailers who are not able to accept EMV card transactions. The Company did not implement the EMV technology and receive certification prior to October 1, 2015, and accordingly may be liable for costs incurred by payment card issuing banks and other third parties as a result of fraudulent use of credit card information improperly obtained from information captured by us until such time as the technology has been implemented and certified. The Company expects to complete the implementation and receive certification in its third quarter of Fiscal 2018.

**A privacy breach could have a material adverse effect on the Company's business and reputation.**

We rely heavily on digital technologies for the successful operation of our business, including electronic messaging, digital marketing efforts and the collection and retention of customer data and employee information. We also rely on third parties to process credit card transactions, perform online e-commerce and social media activities and retain data relating to the Company's financial position and results of operations, strategic initiatives and other important information. Despite the security measures we have in place, our facilities and systems and those of our third-party service providers may be vulnerable to cyber-security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Any misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information, whether by us or by our third-party service providers, could adversely affect our business and operations, including loss of sales generated through our websites, severely damaging our reputation and our relationships with our customers, suppliers, employees and investors and expose us to risks of litigation and liability.

In addition, we may incur significant remediation costs in the event of a cyber-security breach or incident, including liability for stolen customer or employee information, repairing system damage or providing credit monitoring or other benefits to affected customers or employees. We may also incur increased costs to comply with various applicable laws or industry standards regarding use and/or unauthorized disclosure of personal information. These and other cyber-security-related compliance, prevention and remediation costs may adversely impact our financial condition and results of operations.

**The loss of, or disruption in, one of our distribution centers and other factors affecting the distribution of merchandise, could have a material adverse effect on our business and operations.**

Each of our operations uses a single distribution center to handle all or a significant amount of its merchandise. Most of our operations' inventory is shipped directly from suppliers to our operations' distribution centers, where the inventory is then processed, sorted and shipped to our stores or to our wholesale customers. We depend on the orderly operation of this receiving and distribution process, which depends, in turn, on adherence to shipping schedules and effective management of the distribution centers. Although we believe that our receiving and distribution process is efficient and well positioned to support our current business and our expansion plans, we cannot offer assurance that we have anticipated all of the changing demands that our expanding operations will impose on our receiving and distribution system, or that events beyond our control, such as disruptions in operations due to fire or other catastrophic events, labor disagreements or shipping problems (whether in our own or in our third party vendors' or carriers' businesses), will not result in delays in the delivery of merchandise to our stores or to our wholesale customers or retail customers (e-commerce). In addition, we add capacity to distribution centers by either leasing or building new distribution centers or adding capacity at existing centers. Failure to execute on these initiatives may cause disruption in our business. We also make changes in our distribution processes from time to time in an effort to improve efficiency and maximize capacity. We cannot assure that these changes will not result in unanticipated delays or interruptions in distribution. We depend upon UPS for shipment of a significant amount of merchandise. An interruption in service by UPS for any reason could cause temporary disruptions in our business, a loss of sales and profits, and other material adverse effects.

Our freight cost is impacted by changes in fuel prices through surcharges. Fuel prices and surcharges affect freight cost both on inbound freight from vendors to our distribution centers and outbound freight from our distribution centers to our stores and wholesale customers. Increases in fuel prices and surcharges and other factors may increase freight costs and thereby increase our cost of goods sold.

**Any acquisitions we make or new businesses we launch, as well as any dispositions of assets or businesses, involve a degree of risk.**

Acquisitions have been a component of the Company's growth strategy in recent years and we expect that we may continue to engage in acquisitions or launch new businesses to grow our revenues and meet our other strategic objectives. If any future acquisitions are not successfully integrated with our business, our ongoing operations could be adversely affected. Additionally, acquisitions or new businesses may not achieve desired profitability objectives or result in any anticipated successful expansion of the businesses or concepts, causing lower than expected earnings and cash flow and potentially requiring impairment of goodwill and other intangibles. Although we review and analyze assets or companies we acquire, such reviews are subject to uncertainties and may not reveal all potential risks. Additionally, although we attempt to obtain protective contractual provisions, such as representations, warranties and indemnities, in connection with acquisitions, we cannot offer assurance that we can obtain such provisions in our acquisitions or that they will fully protect us from unforeseen costs of, or liabilities associated with, the acquisitions. We may also incur significant costs and diversion of management time and attention in connection with pursuing possible acquisitions even if the acquisition is not ultimately consummated.

Additionally, we may decide to divest assets or businesses that are no longer material to our core business. Following such divestitures, we may incur liabilities relating to our previous ownership of the assets or business that we sell. Any required payments on retained liabilities or indemnification obligations with respect to past or future asset or business divestitures could have a material adverse effect on our business or results of operations.

Further, acquisitions and dispositions are often structured such that the purchase price paid or received by us, as applicable, is subject to post-closing adjustments, whether as a result of net working capital adjustments, contingent payments (i.e., earn-outs) or otherwise. Any such adjustments could result in a material change in the consideration paid to or received by us, as applicable, in such transactions.

**We face a number of risks in opening new stores.**

As part of our long-term growth strategy, we expect to open new stores, both in regional malls, where most of the operational experience of our U.S. businesses lies, and in other venues including outlet centers, major city street locations, airports and tourist destinations. We cannot offer assurances that we will be able to open as many stores as we have planned, that any new store will achieve similar operating results to those of our existing stores or that new stores opened in markets in which we operate will not have a material adverse effect on the revenues and profitability of our existing stores. The success of our planned expansion will be dependent upon numerous factors, many of which are beyond our control, including the following:

- our ability to identify suitable markets and individual store sites within those markets;
- the competition for suitable store sites;
- our ability to negotiate favorable lease terms for new stores and renewals (including rent and other costs) with landlords;
- our ability to obtain governmental and other third-party consents, permits and licenses needed to construct and operate our stores;
- the ability to build and remodel stores on schedule and at acceptable cost;
- the availability of employees to staff new stores and our ability to hire, train, motivate and retain store personnel;
- the effect of changes to laws and regulations, including minimum wage, over-time, and employee benefits laws on store expenses;
- the availability of adequate management and financial resources to manage an increased number of stores;
- our ability to adapt our distribution and other operational and management systems to an expanded network of stores;
- our ability to attract customers and generate sales sufficient to operate new stores profitably; and
- the effect of changes in consumer shopping patterns, including an accelerated shift to online shopping at the expense of in-store shopping, during the term of a lease.

Additionally, the results we expect to achieve during each fiscal quarter are dependent upon opening new stores on schedule. If we fall behind, we will lose expected sales and earnings between the planned opening date and the actual opening and may further complicate the logistics of opening stores, possibly resulting in additional delays, seasonally inappropriate product assortments, and other undesirable conditions.

**Our results of operations are subject to seasonal and quarterly fluctuations, which could have a material adverse effect on the market price of our stock.**

Our business is seasonal, with a significant portion of our net sales and operating income generated during the fourth quarter, which includes the holiday shopping season. Because of this seasonality, we have limited ability to compensate for shortfalls in fourth quarter sales or earnings by changes in our operations or strategies in other quarters. A significant shortfall in results for the fourth quarter of any year could have a material adverse effect on our annual results of operations and on the market price of our stock. Our quarterly results of operations also may fluctuate significantly based on such factors as:

- the timing of new store openings and renewals;
- the amount of net sales contributed by new and existing stores;
- the timing of certain holidays and sales events;
- changes in our merchandise mix;
- general economic, industry and weather conditions that affect consumer spending; and
- actions of competitors, including promotional activity.

**Changes in our effective income tax rate could adversely affect our net earnings.**

A number of factors influence our effective income tax rate, including changes in tax law, tax treaties, interpretation of existing laws, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our net earnings. In addition, our operations outside of the United States may cause greater volatility in our effective tax rate.

**A failure to increase sales at our existing stores and in our e-commerce businesses may adversely affect our stock price and impact our results of operations.**

A number of factors have historically affected, and will continue to affect, our comparable sales results, including:

- consumer trends, such as less disposable income due to the impact of economic conditions and tax policies;
- the lack of new fashion trends to drive demand in certain of our businesses;
- competition;
- timing of holidays including sales tax holidays and the timing of tax refunds;
- general regional and national economic conditions;
- inclement weather;
- changes in our merchandise mix;
- our ability to distribute merchandise efficiently to our stores;
- timing and type of sales events, promotional activities or other advertising;
- other external events beyond our control;
- our ability to adapt to changing customer preferences in the ways they digitally shop;
- new merchandise introductions; and
- our ability to execute our business strategy effectively.

Our comparable sales have fluctuated in the past, and we believe such fluctuations may continue. The unpredictability of our comparable sales may cause our revenue and results of operations to vary from quarter to quarter, and an unanticipated change in revenues or operating income may cause our stock price to fluctuate significantly.

**We are subject to regulatory proceedings and litigation and to regulatory changes that could have an adverse effect on our financial condition and results of operations.**

We are party to certain lawsuits, governmental investigations, and regulatory proceedings, including the suits and proceedings arising out of alleged environmental contamination relating to historical operations of the Company and various suits involving current operations as disclosed in Item 3, "Legal Proceedings" and Note 13 to the Consolidated Financial Statements. If these or similar matters are resolved against us, our results of operations, our cash flows, or our financial condition could be adversely affected. The costs of defending such lawsuits and responding to such investigations and regulatory proceedings may be substantial and their potential to distract management from day-to-day business is significant. Moreover, with retail operations in 50 states, Puerto Rico, Canada, the United Kingdom, the Republic of Ireland and Germany, we are subject to federal, state, provincial, territorial, local and foreign regulations, which impose costs and risks on our business. Numerous states and municipalities as well as the federal government of the U.S. are proposing or implementing changes to minimum wage, overtime, employee leave, and other requirements that will increase costs. Changes in regulations could make compliance more difficult and costly, and violations could result in liability for damages or penalties.

**If we lose key members of management or are unable to attract and retain the talent required for our business, our operating results could suffer.**

Our performance depends largely on the efforts and abilities of members of our management team. Our executives have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected future loss of services of one or more key members of our management team could have an adverse effect on our business. In addition, future performance will depend upon our ability to attract, retain and motivate qualified employees, including store personnel and field management. If we are unable to do so, our ability to meet our operating goals may be compromised. Finally, our stores are decentralized, are managed through a network of geographically dispersed management personnel and historically experience a high degree of turnover. If we are for any reason unable to maintain appropriate controls on store operations due to turnover or other reasons, including the ability to control losses resulting from inventory and cash shrinkage, our sales and operating margins may be adversely affected. There can be no assurance that we will be able to attract and retain the personnel we need in the future.

**Goodwill recorded with acquisitions is subject to impairment which could reduce the Company's profitability.**

Deterioration in the Company's market value, whether related to the Company's operating performance or to disruptions in the equity markets or deterioration in the operating performance of the business unit with which goodwill is associated, could require the Company to recognize the impairment of some or all of the \$281.4 million of goodwill on its Consolidated Balance Sheets at January 30, 2016, resulting in the reduction of net assets and a corresponding non-cash charge to earnings in the amount of the impairment.

In connection with acquisitions, the Company records goodwill on its Consolidated Balance Sheets. This asset is not amortized but is subject to an impairment test at least annually, which consists of either a qualitative assessment on a reporting unit level, or a two-step impairment test if necessary, that is based on projected future cash flows from the acquired business discounted at a rate commensurate with the risk the Company considers to be inherent in its current business model. The Company performs the impairment test annually as of the close of its fiscal year, or more frequently if events or circumstances indicate that the value of the asset might be impaired.

**Pension funding and costs are dependent upon several economic assumptions which if changed may cause our future earnings and cash flow to fluctuate significantly.**

The impact of our pension plan on our U.S. generally accepted accounting principles earnings may be volatile in that the amount of expense we record for our pension plan may materially change from year to year because those calculations are sensitive to funding levels as well as changes in several key economic assumptions, including interest rates, rates of return on plan assets, and other actuarial assumptions including participant mortality estimates. Changes in these factors also affect our plan funding, cash flow and shareholders' equity. In addition, the funding of our pension plan may be subject to changes caused by legislative or regulatory actions.

We will make contributions to fund the pension plan when considered necessary or advantageous to do so. The macro-economic factors discussed above, including the return on assets and the minimum funding requirements established by government funding or taxing authorities, or established by other agreement, may influence future funding requirements. A significant decline in the fair value of the assets in our pension plan, or other adverse changes to our pension plan could require us to make significant funding contributions and affect cash flows in future periods.

**ITEM 1B, UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2, PROPERTIES**

See Item 1, "Business — Properties".



### **ITEM 3, LEGAL PROCEEDINGS**

#### **Environmental Matters**

##### *New York State Environmental Matters*

In August 1997, the New York State Department of Environmental Conservation (“NYSDEC”) and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study (“RIFS”) and implementing an interim remedial measure (“IRM”) with regard to the site of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969. The Company undertook the IRM and RIFS voluntarily, without admitting liability or accepting responsibility for any future remediation of the site. The Company has completed the IRM and the RIFS. In the course of preparing the RIFS, the Company identified remedial alternatives with estimated undiscounted costs ranging from \$0.0 million to \$24.0 million, excluding amounts previously expended or provided for by the Company. The United States Environmental Protection Agency (“EPA”), which has assumed primary regulatory responsibility for the site from NYSDEC, issued a Record of Decision in September 2007. The Record of Decision specified a remedy of a combination of groundwater extraction and treatment and in site chemical oxidation.

In July 2009, the Company agreed to a Consent Order with the EPA requiring the Company to perform certain remediation actions, operations, maintenance and monitoring at the site. In September 2009, a Consent Judgment embodying the Consent Order was filed in the U.S. District Court for the Eastern District of New York.

In September 2015, the EPA adopted an amendment to the 2007 Record of Decision by eliminating the separate ground-water extraction and treatment systems and the use of in-situ oxidation from the remedy adopted in the 2007 Record of Decision. The amendment provides for the continued operation and maintenance of the existing wellhead treatment systems on wells operated by the Village of Garden City, New York (the “Village”).

The Village has additionally asserted that the Company is liable for the costs associated with enhanced treatment required by the impact of the groundwater plume from the site on two public water supply wells, including historical total costs ranging from approximately \$1.8 million to in excess of \$2.5 million, and future operation and maintenance costs which the Village estimates at \$126,400 annually while the enhanced treatment continues. On December 14, 2007, the Village filed a complaint (the “Village Lawsuit”) against the Company and the owner of the property under the Resource Conservation and Recovery Act (“RCRA”), the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) as well as a number of state law theories in the U.S. District Court for the Eastern District of New York, seeking an injunction requiring the defendants to remediate contamination from the site and to establish their liability for future costs that may be incurred in connection with it, which the complaint alleges could exceed \$41 million, undiscounted, over a 70-year period.

The Company has not verified the estimates of either historic or future costs asserted in the Village Lawsuit, but believes that an estimate of future costs based on a 70-year remediation period is unreasonable given the expected remedial period reflected in the EPA’s Record of Decision. On May 23, 2008, the Company filed a motion to dismiss the Village Lawsuit on grounds including applicable statutes of limitation and preemption of certain claims by the NYSDEC’s and the EPA’s diligent prosecution of remediation. On January 27, 2009, the Court granted the motion to dismiss all counts of the plaintiff’s complaint except for the CERCLA claim and a state law claim for indemnity for costs incurred after November 27, 2000. On September 23, 2009, on a motion for reconsideration by the Village, the Court reinstated the claims for injunctive relief under RCRA and for equitable relief under certain of the state law theories.

The Company and the Village have reached an agreement in principle providing for the Village to continue to operate and maintain the well head treatment systems in accordance with the Record of Decision and to release its claims against the Company asserted in the Village Lawsuit in exchange for a lump-sum payment by the Company. The agreement in principle is subject to the issuance by EPA of Statement of Work under the amended Record of Decision that is acceptable to the Company and the Village and to the execution by both parties of definitive documentation incorporating the agreement in principle. While there can be no assurance that a definitive agreement incorporating the agreement in principle will be concluded, the Company does not expect that such an agreement, the Village Lawsuit, or the implementation of the amended Record of Decision would have a material effect on its financial condition or results of operations.

In April 2015, the Company received from EPA a Notice of Potential Liability and Demand for Costs pursuant to CERCLA regarding the site in Gloversville, New York of a former leather tannery operated by the Company and by other, unrelated parties. The Notice demanded payment of approximately \$2.2 million of response costs claimed by EPA to have been incurred to conduct assessments and removal activities at the site. The Company has requested additional information on the basis for EPA’s assertion that the Company is a potentially responsible party with regard to the site and is assessing the claims asserted in the notice. The Company’s environmental insurance carrier is providing coverage of the matter subject

to a \$500,000 self-insured retention and the other terms and conditions of the insurance policy, subject to a standard reservation of rights.

#### *Whitehall Environmental Matters*

The Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's former Volunteer Leather Company facility in Whitehall, Michigan.

In October 2010, the Company and the Michigan Department of Natural Resources and Environment entered into a Consent Decree providing for implementation of a remedial Work Plan for the facility site designed to bring the site into compliance with applicable regulatory standards. The Work Plan's implementation is substantially complete and the Company expects, based on its present understanding of the condition of the site, that its future obligations with respect to the site will be limited to periodic monitoring and that future costs related to the site should not have a material effect on its financial condition or results of operations.

#### *Accrual for Environmental Contingencies*

Related to all outstanding environmental contingencies, the Company had accrued \$14.5 million as of January 30, 2016, \$14.1 million as of January 31, 2015 and \$11.9 million as of February 1, 2014. All such provisions reflect the Company's estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying Consolidated Balance Sheets because it relates to former facilities operated by the Company. The Company has made pretax accruals for certain of these contingencies, including approximately \$0.8 million reflected in Fiscal 2016, \$2.8 million reflected in Fiscal 2015 and \$0.5 million reflected in Fiscal 2014. These charges are included in provision for discontinued operations, net in the Consolidated Statements of Operations and represent changes in estimates.

#### **Other Matters**

On December 10, 2010, the Company announced that it had suffered a criminal intrusion into the portion of its computer network that processes payments for transactions in certain of its retail stores. Visa, Inc., MasterCard Worldwide and American Express Travel Related Services Company, Inc. have asserted claims totaling approximately \$15.6 million in connection with the intrusion and the claims of two of the claimants have been collected by withholding payment card receivables of the Company. In the fourth quarter of Fiscal 2013, the Company recorded a \$15.4 million charge to earnings in connection with the disputed liability. On March 7, 2013, the Company filed an action in the U.S. District Court for the Middle District of Tennessee against Visa U.S.A. Inc., Visa Inc. and Visa International Service Association seeking to recover \$13.3 million in non-compliance fines and issuer reimbursement assessments collected from the Company in connection with the intrusion. The Company does not currently expect any future claims in connection with the intrusion to have a material effect on its financial condition, cash flows, or results of operations.

On May 17, 2013, a former employee filed a putative class and representative action, *Garcia v. Genesco, Inc.*, in the Superior Court of California for the County of Ventura, alleging various claims under the California Labor Code, including failure to provide meal and rest periods, failure to timely pay wages, failure to provide accurate itemized wage statements, and unfair competition and violation of the Private Attorneys' General Act of 2004, and seeking unspecified damages and penalties. On August 30, 2013, the Company removed the action to the United States District Court for the Central District of California. Subsequently, the Company reached an agreement to settle the matter. The court granted final approval of the settlement on May 8, 2015 and dismissed the case.

On April 30, 2015, an employee of a subsidiary of the Company filed an action, *Stewart v. Hat World, Inc., et al.*, under the California Labor Code Private Attorneys General Act on behalf of herself, the State of California, and other non-exempt, hourly-paid employees of the subsidiary in California, seeking unspecified damages and penalties for various alleged violations of the California Labor Code, including failure to pay for all hours worked, minimum wage and overtime violations, failure to provide required meal and rest periods, failure to timely pay wages, failure to provide complete and accurate wage statements, and failure to provide full reimbursement of business-related costs and expenses incurred in the course of employment. The Company disputes the material allegations in the complaint and intends to defend the matter.

On March 3, 2016, plaintiffs filed an action *Lacey, et al. v. Genesco Inc.*, in the U.S. District Court for the Western District of Pennsylvania, alleging that certain of the Company's internet websites are inaccessible to the blind, in violation of the Americans With Disabilities Act. The suit seeks injunctive relief and attorneys' fees. The Company is investigating the allegations in the complaint.

In addition to the matters specifically described in this Item 3, "Legal Proceedings", the Company is a party to other legal and regulatory proceedings and claims arising in the ordinary course of its business. While management does not believe that the Company's liability with respect to any of these other matters is likely to have a material effect on its financial statements, legal proceedings are subject to inherent uncertainties and unfavorable rulings could have a material adverse impact on the Company's financial statements.

**ITEM 4, MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 4A, EXECUTIVE OFFICERS OF THE REGISTRANT**

The officers of the Company are generally elected at the first meeting of the Board of Directors following the annual meeting of shareholders and hold office until their successors have been chosen and qualified or until their earlier resignation or removal. The name, age and office of each of the Company's executive officers and certain information relating to the business experience of each are set forth below:

**Robert J. Dennis**, 62, *Chairman, President and Chief Executive Officer*. Mr. Dennis joined the Company in 2004 as chief executive officer of the Company's acquired Hat World business. Mr. Dennis was named senior vice president of the Company in June 2004 and executive vice president and chief operating officer, with oversight responsibility for all the Company's operating divisions, in October 2005. Mr. Dennis was named president of the Company in October 2006 and chief executive officer in August 2008. Mr. Dennis was named chairman in February 2010, which became effective April 1, 2010. Mr. Dennis joined Hat World in 2001 from Asbury Automotive, where he was employed in senior management roles beginning in 1998. Mr. Dennis was with McKinsey and Company, an international consulting firm, from 1984 to 1997, and became a partner in 1990.

**Mimi Eckel Vaughn**, 49, *Senior Vice President - Finance and Chief Financial Officer*. Ms. Vaughn joined the Company in September 2003 as vice president of strategy and business development. She was named senior vice president, strategy and business development in October 2006, senior vice president of strategy and shared services in April 2009 and senior vice president - finance and chief financial officer in February 2015. Prior to joining the Company, Ms. Vaughn was executive vice president of business development and marketing, and acting chief financial officer from 2000 to 2001 for Link2Gov Corporation in Nashville. From 1993 to 1999, she was a consultant at McKinsey and Company in Atlanta.

**Jonathan D. Caplan**, 62, *Senior Vice President*. Mr. Caplan rejoined the Company in 2002 as chief executive officer of the branded group and president of Johnston & Murphy and was named senior vice president of the Company in November 2003. Mr. Caplan first joined the Company in June 1982 and served as president of Genesco's Laredo-Code West division from December 1985 to May 1992. After that time, Mr. Caplan was president of Stride Rite's Children's Group and then its Ked's Footwear division, from 1992 to 1996. He was vice president, New Business Development and Strategy, for Service Merchandise Corporation from 1997 to 1998. Prior to rejoining Genesco in October 2002, Mr. Caplan served as president and chief executive officer of Hi-Tec Sports North America beginning in 1998.

**James C. Estepa**, 64, *Senior Vice President*. Mr. Estepa joined the Company in 1985 and in February 1996 was named vice president operations of Genesco Retail, which included the Jarman Shoe Company, Journeys, Boot Factory and General Shoe Warehouse. Mr. Estepa was named senior vice president operations of Genesco Retail in June 1998. He was named president of Journeys in March 1999. Mr. Estepa was named senior vice president of the Company in April 2000. He was named president and chief executive officer of the Genesco Retail Group in 2001, assuming additional responsibilities of overseeing the Company's former Underground Station segment.

**Roger G. Sisson**, 52, *Senior Vice President, Secretary and General Counsel*. Mr. Sisson joined the Company in 1994 as assistant general counsel and was elected secretary in February 1994. He was named general counsel in January 1996, vice president in November 2003, and senior vice president in October 2006.

**Parag D. Desai**, 41, *Senior Vice President of Strategy and Shared Services*. Mr. Desai joined the Company in 2014 as senior vice president of strategy and shared services. Prior to joining the Company, Mr. Desai spent 14 years with McKinsey and Company, including seven years as a partner. Prior to joining McKinsey, Mr. Desai also held business development and technology positions at Outpace Systems and Booz Allen & Hamilton.

**Paul D. Williams**, 61, *Vice President and Chief Accounting Officer*. Mr. Williams joined the Company in 1977, was named director of corporate accounting and financial reporting in 1993 and chief accounting officer in April 1995. He was named vice president in October 2006.

**Matthew N. Johnson**, 51, *Vice President and Treasurer*. Mr. Johnson joined the Company in 1993 as manager, corporate finance and was elected assistant treasurer in December 1993. He was elected treasurer in June 1996. He was named vice president finance in October 2006 and renamed treasurer in April 2011 after a period of service as chief financial officer of one of the Company's divisions. Prior to joining the Company, Mr. Johnson was a vice president in the corporate and institutional banking division of The First National Bank of Chicago.

**PART II****ITEM 5, MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

The Company's common stock is listed on the New York Stock Exchange (Symbol: GCO). The following table sets forth for the periods indicated the high and low sales prices of the common stock as shown in the New York Stock Exchange Composite Transactions listed in the Wall Street Journal.

**Fiscal Year ended January 31**

	High	Low
2015 1st Quarter	\$ 80.52	\$ 68.52
2nd Quarter	82.98	70.87
3rd Quarter	89.58	71.24
4th Quarter	82.89	69.53

**Fiscal Year ended January 30**

	High	Low
2016 1st Quarter	\$ 74.74	\$ 65.59
2nd Quarter	70.47	61.07
3rd Quarter	65.78	54.03
4th Quarter	66.16	50.64

There were approximately 2,500 common shareholders of record on March 11, 2016.

The Company has not paid cash dividends in respect of its Common Stock since 1973. The Company's ability to pay cash dividends in respect of its common stock is subject to various restrictions. See Notes 6 and 8 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Sources of Liquidity" for information regarding restrictions on dividends and redemptions of capital stock.

**Recent Sales of Unregistered Securities**

None.

Repurchases (shown in 000's except share and per share amounts):

**ISSUER PURCHASES OF EQUITY SECURITIES**

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
November 2015				
11-1-15 to 11-28-15	—	\$ —	—	\$ —
December 2015				
11-29-15 to 12-26-15	—	\$ —	—	\$ —
January 2016				
12-27-15 to 1-30-16	251,000	\$ 63.24	251,000	\$ 84,128

Share repurchases were made pursuant to the share repurchase program described under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company expects to implement the balance of the repurchase program through purchases made from time to time either in the open market or through private transactions, in accordance with the regulations of the SEC and other applicable legal requirements.

**Equity Compensation Plan Information**

Refer to Part III, Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters".

**ITEM 6, SELECTED FINANCIAL DATA**
**Financial Summary**

In Thousands except per common share data,  
Financial Statistics and Other Data (End of  
Year)

	Fiscal Year End				
	2016	2015	2014	2013	2012
<b>Results of Operations Data</b>					
Net sales	\$ 3,022,234	\$ 2,859,844	\$ 2,624,972	\$ 2,604,817	\$ 2,291,987
Depreciation and amortization	79,011	74,326	67,135	63,697	53,737
Earnings from operations	151,251	167,266	163,435	169,863	161,485
Earnings from continuing operations before income taxes	151,533	156,989	158,860	164,832	156,393
Earnings from continuing operations	95,381	99,373	92,982	112,897	93,451
Provision for discontinued operations, net	(812)	(1,648)	(329)	(462)	(1,025)
Net earnings	\$ 94,569	\$ 97,725	\$ 92,653	\$ 112,435	\$ 92,426
<b>Per Common Share Data</b>					
Earnings from continuing operations					
Basic	\$ 4.17	\$ 4.23	\$ 3.99	\$ 4.78	\$ 3.89
Diluted	4.15	4.19	3.94	4.69	3.83
Discontinued operations					
Basic	(0.04)	(0.07)	(0.01)	(0.02)	(0.05)
Diluted	(0.04)	(0.07)	(0.02)	(0.01)	0.04
Net earnings					
Basic	4.13	4.16	3.98	4.76	3.84
Diluted	4.11	4.12	3.92	4.68	3.79
<b>Balance Sheet and Cash Flow Data</b>					
Total assets	\$ 1,541,483	\$ 1,583,087	\$ 1,439,284	\$ 1,326,072	\$ 1,229,761
Long-term debt	112,058	29,155	33,730	50,682	40,704
Non-redeemable preferred stock	1,077	1,274	1,305	3,924	4,957
Common equity	954,079	995,533	914,885	817,936	721,774
Capital expenditures	100,652	103,111	98,456	71,737	49,456
<b>Financial Statistics</b>					
Earnings from operations as a percent of net sales	5.0%	5.8%	6.2%	6.5%	7.0%
Book value per share (common equity divided by common shares outstanding)	\$ 43.70	\$ 41.43	\$ 38.25	\$ 34.09	\$ 29.74
Working capital (in thousands)	\$ 476,469	\$ 441,742	\$ 451,297	\$ 407,073	\$ 291,990
Current ratio	2.5	2.1	2.5	2.5	2.0
Percent long-term debt to total capitalization	10.5%	2.8%	3.5%	5.8%	5.3%
<b>Other Data (End of Year)</b>					
Number of retail outlets*	2,852	2,824	2,568	2,459	2,387
Number of employees	27,500	27,325	22,250	22,700	21,475

\* Includes 36 Little Burgundy stores added in Fiscal 2016 that were acquired on November 3, 2015, 185, 190 and 26 Locker Room by Lids leased departments in Macy's stores in Fiscal 2016, 2015 and 2014, respectively, and 75 Schuh stores and concessions added in Fiscal 2012 that were acquired on June 23, 2011.

Reflected in earnings from continuing operations for Fiscal 2016 was a gain of \$4.7 million from the sale of Lids Team Sports, for Fiscal 2015 was a charge of \$7.1 million for an indemnification asset write-off and for Fiscal 2012 was \$7.4 million in acquisition-related expenses.

Also reflected in earnings from continuing operations for Fiscal 2016, 2015, 2014, 2013 and 2012 were asset impairment and other charges of \$7.9 million, \$2.3 million, \$1.3 million, \$17.0 million and \$2.7 million, respectively. See Note 3 to the Consolidated Financial Statements for additional information regarding these charges.

Long-term debt includes current obligations. In December 2015, the Company entered into the first amendment to the third amended and restated credit agreement. See Note 6 to the Consolidated Financial Statements for additional information regarding the Company's debt.

The Company has not paid dividends on its Common Stock since 1973. See Notes 6 and 8 to the Consolidated Financial Statements and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Sources of Liquidity" for a description of limitations on the Company's ability to pay dividends.



## **ITEM 7, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward Looking Statements**

This discussion and the notes to the Consolidated Financial Statements, as well as Item 1, "Business", include certain forward-looking statements, which include statements regarding our intent, belief or expectations and all statements other than those made solely with respect to historical fact. Actual results could differ materially from those reflected by the forward-looking statements in this discussion and a number of factors may adversely affect the forward-looking statements and the Company's future results, liquidity, capital resources or prospects. These include, but are not limited to, the level and timing of promotional activity necessary to maintain inventories at appropriate levels, the timing and amount of non-cash asset impairments related to retail store fixed assets and intangible assets of acquired businesses, the impact of post-closing adjustments and payments related to asset and business acquisitions and divestitures, the effectiveness of our omnichannel initiatives, weakness in the consumer economy and retail industry, competition in the Company's markets, fashion trends that affect the sales or product margins of the Company's retail product offerings, changes in buying patterns by significant wholesale customers, bankruptcies or deterioration in financial condition of significant wholesale customers or the inability of wholesale customers or consumers to obtain credit, disruptions in product supply or distribution, unfavorable trends in fuel costs, foreign exchange rates, foreign labor and material costs, and other factors affecting the cost of products, the Company's ability to continue to complete and integrate acquisitions, expand its business and diversify its product base, changes in the timing of holidays or in the onset of seasonal weather affecting period-to-period sales comparisons, and the performance of athletic teams, the participants in major sporting events such as the Super Bowl and World Series, developments with respect to certain individual athletes, and other sports-related events or changes that may affect period-to-period comparisons in the Company's Lids Sports Group retail business. Additional factors that could affect the Company's prospects and cause differences from expectations include the ability to build, open, staff and support additional retail stores and to renew leases in existing stores and control occupancy costs, and to conduct required remodeling or refurbishment on schedule and at expected expense levels, deterioration in the performance of individual businesses or of the Company's market value relative to its book value, resulting in impairments of fixed assets or intangible assets or other adverse financial consequences, unexpected changes to the market for the Company's shares, variations from expected pension-related charges caused by conditions in the financial markets, and the cost and outcome of litigation, investigations and environmental matters involving the Company. For a full discussion of risk factors, see Item 1A, "Risk Factors".

### **Overview**

#### *Description of Business*

The Company's business includes the design and sourcing, marketing and distribution of footwear and accessories through retail stores, including Journeys<sup>®</sup>, Journeys Kidz<sup>®</sup>, Shi by Journeys<sup>®</sup>, Little Burgundy<sup>®</sup>, Underground by Journeys<sup>®</sup> and Johnston & Murphy<sup>®</sup> in the U.S., Puerto Rico and Canada and through Schuh<sup>®</sup> stores in the United Kingdom, the Republic of Ireland and Germany, and through e-commerce websites and catalogs, and at wholesale, primarily under the Company's Johnston & Murphy brand, the Trask brand, the licensed Dockers<sup>®</sup> brand, and other brands that the Company licenses for men's footwear. The Company's wholesale footwear brands are distributed to more than 1,275 retail accounts in the United States, including a number of leading department, discount, and specialty stores. The Company's business also includes Lids Sports, which operates (i) headwear and accessory stores under the Lids<sup>®</sup> name and other names in the U.S., Puerto Rico and Canada, (ii) the Lids Locker Room and Lids Clubhouse businesses, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, operating under various trade names, (iii) licensed team merchandise departments in Macy's department stores operated under the name Locker Room by Lids and on macys.com under a license agreement with Macy's, and (iv) e-commerce operations. Including both the footwear businesses and the Lids Sports business, at January 30, 2016, the Company operated 2,852 retail stores and leased departments in the U.S., Puerto Rico, Canada, the United Kingdom, the Republic of Ireland and Germany.

During Fiscal 2016, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of Journeys, Journeys Kidz, Shi by Journeys, Little Burgundy and Underground by Journeys retail footwear chains, e-commerce operations and catalog; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised as described in the preceding paragraph plus an athletic team dealer business operating as Lids Team Sports which was sold in the fourth quarter of Fiscal 2016; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce operations and catalog and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers<sup>®</sup> Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip<sup>®</sup> Footwear, occupational footwear primarily sold directly to consumers; and other brands.

The Journeys retail footwear stores sell footwear and accessories primarily for 13 to 22 year old men and women. The stores average approximately 2,025 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages five to 12. These stores average approximately 1,450 square feet. Shi by Journeys retail footwear stores sell footwear and accessories to fashion-conscious women in their early 20's to mid 30's. These stores average approximately 2,150 square feet. The Underground by Journeys retail footwear stores sell footwear and accessories primarily for men and women in the 20 to 35 age group. These stores average approximately 1,850 square feet. The Journeys Group stores are primarily in malls and factory outlet centers throughout the United States, Puerto Rico and Canada. The Company's Canadian subsidiary acquired the Little Burgundy retail footwear chain in Canada during the fourth quarter of Fiscal 2016. Little Burgundy is being operated under the Journeys Group. Little Burgundy retail footwear stores sell footwear and accessories to fashion-oriented men and women in the 18 to 34 age group ranging from students to young professionals. These stores average approximately 1,900 square feet. With the 36 Little Burgundy stores, Journeys Group now operates 75 stores in Canada. Journeys also sells footwear and accessories through direct-to-consumer catalog and e-commerce operations.

The Schuh retail footwear stores sell a broad range of branded casual and athletic footwear along with a meaningful private label offering primarily for 15 to 30 year old men and women. The stores, which average approximately 5,000 square feet, include both street-level and mall locations in the United Kingdom, the Republic of Ireland and Germany. During the third quarter of Fiscal 2013, the Schuh Group opened its first Schuh Kids store. As of January 30, 2016, the Company has opened ten Schuh Kids stores that sell footwear primarily for younger children, ages five to 12, and average 2,675 square feet. The Schuh Group also sells footwear through e-commerce operations.

The Lids Sports Group includes stores and kiosks, primarily under the Lids banner, that sell licensed and branded headwear to men and women primarily in the early-teens to mid-20's age group. The Lids store locations average approximately 875 square feet and are primarily in malls, airports, street-level stores and factory outlet centers throughout the United States, Puerto Rico and Canada. The Lids Sports Group also operates Lids Locker Room and Lids Clubhouse stores under a number of trade names, selling licensed sports headwear, apparel and accessories to sports fans of all ages in locations averaging approximately 2,825 square feet in malls and other locations primarily in the United States. The Lids Sports Group operates 151 stores in Canada. The Lids Sports Group also operates Locker Room by Lids leased departments in Macy's department stores selling headwear, apparel, accessories and novelties from an assortment of college and professional teams specific to particular Macy's department stores' geographic locations. As of January 30, 2016, the Company had 185 Locker Room by Lids leased departments averaging approximately 650 square feet. The Lids Sports Group also sells headwear and accessories through e-commerce operations. In addition, the Lids Sports Group operated Lids Team Sports, an athletic team dealer business that was sold in the fourth quarter of Fiscal 2016.

Johnston & Murphy retail shops sell a broad range of men's footwear, apparel and accessories. Women's footwear and accessories are sold in select Johnston & Murphy retail locations. Johnston & Murphy shops average approximately 1,550 square feet and are located primarily in better malls and in airports throughout the United States and in Canada. Johnston & Murphy opened its first store in Canada during the fourth quarter of Fiscal 2012. As of January 30, 2016, Johnston & Murphy operated seven stores in Canada. The Company also has license and distribution agreements for wholesale and retail sales of Johnston & Murphy products in various non - U.S. jurisdictions. The Company also sells Johnston & Murphy footwear and accessories in factory stores, averaging approximately 2,400 square feet, located in factory outlet malls, and through a direct -to-consumer catalog and e-commerce operations. In addition, Johnston & Murphy shoes are distributed through the Company's wholesale operations to better department and independent specialty stores. Additionally, the Company sells the Trask brand, with men's and women's footwear and leather accessories distributed to better independent retailers and department stores.

The Licensed Brands segment markets casual and dress casual footwear under the licensed Dockers® brand to men aged 30 to 55 through many of the same national retail chains that carry Dockers slacks and sportswear and in department and specialty stores across the country. The Company entered into an exclusive license with Levi Strauss & Co. to market men's footwear in the United States under the Dockers brand name in 1991. Levi Strauss & Co. and the Company have subsequently added additional territories, including Canada and Mexico and certain other Latin American countries. The Dockers license agreement has been renewed for a term expiring November 30, 2018. The Company acquired Keuka Footwear in the third quarter of Fiscal 2011 and subsequently launched its SureGrip® Footwear line of slip-resistant, occupational footwear from that base. The Company sources and distributes the SureGrip line to employees in the hospitality, healthcare, and other industries. The Company also sells footwear under other licenses and in March 2015 entered into a License Agreement to source and distribute certain men's and women's footwear under the G.H. Bass trademark and related marks.

## *Strategy*

The Company's long-term strategy has been to seek organic growth by: 1) increasing the Company's store base, 2) increasing retail square footage, 3) improving comparable sales, both in stores and digital commerce, 4) increasing operating margin and 5) enhancing the value of its brands.

To supplement its organic growth potential, the Company has made acquisitions, including the acquisition of the Schuh Group in June 2011 and several smaller acquisitions of businesses in the Lids Sports Group's markets, and expects to consider acquisition opportunities, either to augment its existing businesses or to enter new businesses that it considers compatible with its existing businesses, core expertise and strategic profile. Acquisitions involve a number of risks, including, among others, inaccurate valuation of the acquired business, the assumption of undisclosed liabilities, the failure to integrate the acquired business appropriately, and distraction of management from existing businesses. The Company seeks to mitigate these risks by applying appropriate financial metrics in its valuation analysis and developing and executing plans for due diligence and integration that are appropriate to each acquisition. The Company also seeks appropriate opportunities to extend existing brands and retail concepts. For example, the Schuh Group opened its first Schuh Kids store in Scotland during the third quarter of Fiscal 2013. The Company typically tests such extensions on a relatively small scale to determine their viability and to refine their strategies and operations before making significant, long-term commitments.

More generally, the Company attempts to develop strategies to mitigate the risks it views as material, including those discussed under the caption "Forward Looking Statements," above, and those discussed in Item 1A, "Risk Factors". Among the most important of these factors are those related to consumer demand. Conditions in the economy can affect demand, resulting in changes in sales and, as prices are adjusted to drive sales and manage inventories, in gross margins. Because fashion trends influencing many of the Company's target customers can change rapidly, the Company believes that its ability to react quickly to those changes has been important to its success. Even when the Company succeeds in aligning its merchandise offerings with consumer preferences, those preferences may affect results by, for example, driving sales of products with lower average selling prices or products which are more widely available in the marketplace and thus more subject to competitive pressures than the Company's typical offering. Moreover, economic factors, such as persistent unemployment and any future economic contraction and changes in tax policies, may reduce the consumer's disposable income or his or her willingness to purchase discretionary items, and thus may reduce demand for the Company's merchandise, regardless of the Company's skill in detecting and responding to fashion trends. The Company believes its experience and discipline in merchandising and the buying power associated with its relative size and importance in the industry segments in which it competes are important to its ability to mitigate risks associated with changing customer preferences and other changes in consumer demand.

## *Summary of Results of Operations*

The Company's net sales increased 5.7% during Fiscal 2016 compared to Fiscal 2015. The increase reflected a 6% increase in Journeys Group sales, an 8% increase in Lids Sports Group sales and a 7% increase in Johnston & Murphy Group sales, while Schuh Group and Licensed Brands sales remained flat for Fiscal 2016. Gross margin decreased as a percentage of net sales from 49.0% in Fiscal 2015 to 47.8% in Fiscal 2016, reflecting gross margin decreases as a percentage of net sales in Schuh Group, Lids Sports Group and Johnston & Murphy Group, partially offset by increased gross margin as a percentage of net sales in Journeys Group and Licensed Brands. Selling and administrative expenses decreased as a percentage of net sales from 43.0% in Fiscal 2015 to 42.5% in Fiscal 2016, reflecting decreased expenses as a percentage of net sales in Schuh Group, Lids Sports Group and Johnston & Murphy Group, partially offset by increased expenses as a percentage of net sales in Journeys Group and Licensed Brands. Earnings from operations decreased as a percentage of net sales from 5.8% in Fiscal 2015 to 5.0% in Fiscal 2016, reflecting decreased earnings in Lids Sports Group and Licensed Brands, partially offset by improved earnings from operations in Journeys Group, Schuh Group and Johnston & Murphy Group.

## **Significant Developments**

### *Sale of Lids Team Sports Business*

On January 19, 2016, the Company completed the sale of the assets of the Lids Team Sports business, which has operated within its Lids Sports Group segment, to BSN Sports, LLC. The Company recognized a gain on the sale estimated at \$4.7 million, net of transaction-related expenses before tax. The results of operations for Lids Team Sports is not a strategic shift that will have a major effect on operations and financial results, and therefore this business has not been presented as a discontinued operation in the Company's Consolidated Financial Statements.

Pursuant to the purchase agreement, on March 18, 2016, the buyer submitted a proposed adjustment of \$2.4 million to the purchase price based upon a final calculation of certain working capital items as of the closing date. The Company is reviewing the proposed adjustment and the adjustment is reflected in the Consolidated Financial Statements as having occurred in the fourth quarter of Fiscal 2016.

#### *Indemnification Asset Write-off*

During the third quarter of Fiscal 2015, the Company recorded a pretax charge of \$7.1 million for the write-off of an indemnification asset related to formerly uncertain tax positions that were taken by Schuh at the time of the Company's acquisition of Schuh, which were favorably resolved during the third quarter of Fiscal 2015.

#### *Change in EVA Incentive Plan*

Under the Company's EVA Incentive Plan, bonus awards in excess of a specified cap in any one year were retained and paid over three subsequent years, subject to reduction or elimination by deteriorating financial performance and historically were subject to forfeiture if the participant voluntarily resigns from employment with the Company. As a result, the bonus awards were subject to service conditions that resulted in recognition of expense over the period of service by the respective employee. During the first quarter of Fiscal 2015, the Company amended the plan to remove the future service requirement for the payment of the retained bonuses. As a result, the bonus expense that would have been deferred under the previous plan terms is now recognized in the first year of service. The Company recorded a \$5.7 million charge to earnings in the first quarter of Fiscal 2015 in connection with the amendment related to bonus amounts previously deferred to future years.

#### *Acquisitions*

During Fiscal 2016, the Company completed the acquisition of Little Burgundy, a small retail footwear chain in Canada for a total purchase price of \$35.1 million. The stores acquired are operated within the Journeys Group. During Fiscal 2015, the Company completed acquisitions of primarily small retail chains and one small wholesale business for a total purchase price of \$34.9 million. In Fiscal 2014, the Company completed other acquisitions of primarily small retail chains for a total purchase price of \$13.6 million. The stores acquired in Fiscal 2015 and 2014 are operated within the Lids Sports Group. The wholesale business acquired in Fiscal 2015 was operated within Lids Team Sports which was sold January 19, 2016.

#### *Asset Impairment and Other Charges*

The Company recorded a pretax charge to earnings of \$7.9 million in Fiscal 2016, including \$3.1 million for retail store asset impairments, \$2.5 million for asset write-downs, \$2.2 million for network intrusion expenses and \$0.1 million for other legal matters.

The Company recorded a pretax charge to earnings of \$2.3 million in Fiscal 2015, including \$3.1 million for network intrusion expenses, \$1.9 million for retail store asset impairments and \$0.7 million for other legal matters, partially offset by a \$3.4 million gain on a lease termination of a Lids store.

The Company recorded a pretax charge to earnings of \$1.3 million in Fiscal 2014, including \$3.3 million for network intrusion expenses, \$2.4 million for other legal matters, \$2.3 million for retail store asset impairments and \$1.6 million for a lease termination, partially offset by an \$8.3 million gain on the lease termination of a New York City Journeys store.

#### *Postretirement Benefit Liability Adjustments*

The return on pension plan assets was a loss of \$4.4 million for Fiscal 2016, compared to an expected return of \$5.8 million. The discount rate used to measure benefit obligations increased from 3.55% to 4.30% in Fiscal 2016. As a result of the increase in the discount rate and a change in the mortality table, partially offset by lower than expected asset returns, the pension liability reflected in the Consolidated Balance Sheets decreased to \$10.0 million compared to \$22.2 million at the end of Fiscal 2015. There was an decrease in the pension liability adjustment of \$9.8 million (net of tax) in accumulated other comprehensive income in equity. Depending upon future interest rates and returns on plan assets and other factors, there can be no assurance that additional adjustments in future periods will not be required.

#### *Discontinued Operations*

In Fiscal 2016, Fiscal 2015 and Fiscal 2014, the Company recorded an additional charge to earnings of \$1.3 million (\$0.8 million net of tax), \$2.7 million (\$1.6 million net of tax) and \$0.5 million (\$0.3 million net of tax), respectively, reflected in discontinued operations, primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company. For additional information, see Notes 3 and 13 to the Consolidated Financial Statements.

## **Critical Accounting Policies**

### *Inventory Valuation*

As discussed in Note 1 to the Consolidated Financial Statements, the Company values its inventories at the lower of cost or market.

In its footwear wholesale operations and its Schuh Group segment, cost is determined using the first-in, first-out ("FIFO") method. Market value is determined using a system of analysis which evaluates inventory at the stock number level based on factors such as inventory turn, average selling price, inventory level, and selling prices reflected in future orders for footwear wholesale. The Company provides reserves when the inventory has not been marked down to market value based on current selling prices or when the inventory is not turning and is not expected to turn at levels satisfactory to the Company.

The Lids Sports Group segment employs the moving average cost method for valuing inventories and applies freight using an allocation method. The Company provides a valuation allowance for slow-moving inventory based on negative margins and estimated shrink based on historical experience and specific analysis, where appropriate.

In its retail operations, other than the Schuh Group and Lids Sports Group segments, the Company employs the retail inventory method, applying average cost-to-retail ratios to the retail value of inventories. Under the retail inventory method, valuing inventory at the lower of cost or market is achieved as markdowns are taken or accrued as a reduction of the retail value of inventories.

Inherent in the retail inventory method are subjective judgments and estimates, including merchandise mark-on, markups, markdowns, and shrinkage. These judgments and estimates, coupled with the fact that the retail inventory method is an averaging process, could produce a range of cost figures. To reduce the risk of inaccuracy and to ensure consistent presentation, the Company employs the retail inventory method in multiple subclasses of inventory with similar gross margins, and analyzes markdown requirements at the stock number level based on factors such as inventory turn, average selling price, and inventory age. In addition, the Company accrues markdowns as necessary. These additional markdown accruals reflect all of the above factors as well as current agreements to return products to vendors and vendor agreements to provide markdown support. In addition to markdown provisions, the Company maintains provisions for shrinkage and damaged goods based on historical rates.

Inherent in the analysis of both wholesale and retail inventory valuation are subjective judgments about current market conditions, fashion trends, and overall economic conditions. Failure to make appropriate conclusions regarding these factors may result in an overstatement or understatement of inventory value. A change of 10% from the recorded provisions for markdowns, shrinkage and damaged goods would have changed inventory by \$1.5 million at January 30, 2016.

### *Impairment of Long-Lived Assets*

As discussed in Note 1 to the Consolidated Financial Statements, the Company periodically assesses the realizability of its long-lived assets, other than goodwill, 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 the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement or understatement of the value of long-lived assets.

The goodwill impairment test involves performing a qualitative assessment, on a reporting unit level, based on current circumstances. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a two-step impairment test will not be performed. However, if the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step impairment test is performed. Alternatively, the Company may elect to bypass the qualitative assessment and proceed directly to the two-step impairment test, on a reporting unit level. The first step is a comparison of the fair value and carrying value of the business unit with which the goodwill is associated. The Company estimates fair value using the best information available, and computes the fair value derived by an income approach utilizing discounted cash flow projections. The income approach uses a projection of a reporting unit's estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. A key assumption in the Company's fair value estimate is the weighted average cost of capital utilized for discounting its cash flow projections in its income approach. The Company believes the rate it used in its annual test, which was completed at the end of fourth quarter, was consistent with the risks inherent in its business and with industry discount rates. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures. Other significant

estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements.

If the carrying value of the business unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, the Company would allocate the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

#### *Environmental and Other Contingencies*

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 13 to the Company's Consolidated Financial Statements. The Company has made pretax accruals for certain of these contingencies, including approximately \$0.8 million reflected in Fiscal 2016, \$2.8 million reflected in Fiscal 2015 and \$0.5 million reflected in Fiscal 2014. These charges are included in provision for discontinued operations, net in the Consolidated Statements of Operations because they relate to former facilities operated by the Company. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its accrued liability in relation to each proceeding is a best estimate of probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional provisions, that some or all liabilities will be adequate or that the amounts of any such additional provisions or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

#### *Revenue Recognition*

Retail sales are recorded at the point of sale and are net of estimated returns and exclude sales and value added taxes. Catalog and internet sales are recorded at time of delivery to the customer and are net of estimated returns and exclude sales and value added taxes. Wholesale revenue is recorded net of estimated returns and allowances for markdowns, damages and miscellaneous claims when the related goods have been shipped and legal title has passed to the customer. Shipping and handling costs charged to customers are included in net sales. Estimated returns are based on historical returns and claims. Actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

#### *Income Taxes*

As part of the process of preparing Consolidated Financial Statements, the Company is required to estimate its income taxes in each of the tax jurisdictions in which it operates. This process involves estimating actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. These temporary differences result in deferred tax assets and liabilities, which are included within the Consolidated Balance Sheets. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. To the extent the Company believes that recovery of an asset is at risk, valuation allowances are established. To the extent valuation allowances are established or increased in a period, the Company includes an expense within the tax provision in the Consolidated Statements of Operations. These deferred tax valuation allowances may be released in future years when management considers that it is more likely than not that some portion or all of the deferred tax assets will be realized. In making such a determination, management will need to periodically evaluate whether or not all available evidence, such as future taxable income and reversal of temporary differences, tax planning strategies, and recent results of operations, provides sufficient positive evidence to offset any other potential negative evidence that may exist at such time. In the event the deferred tax valuation allowance is released, the Company would record an income tax benefit for the portion or all of the deferred tax valuation allowance released. At January 30, 2016, the Company had a deferred tax valuation allowance of \$3.4 million.

Income tax reserves for uncertain tax positions are determined using the methodology required by the Income Tax Topic of the Accounting Standards Codification ("Codification"). This methodology requires companies to assess each income



tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company's determinations and estimates prove to be inaccurate, the resulting adjustments could be material to its future financial results. See Note 9 to the Company's Consolidated Financial Statements for additional information regarding income taxes.

The Company recorded an effective income tax rate of 37.1% for Fiscal 2016 compared to 36.7% for Fiscal 2015 and 41.5% for Fiscal 2014. The effective tax rate for Fiscal 2016 benefited from increased foreign earnings and lowering of foreign tax rates combined with a release of \$1.3 million in valuation allowance on foreign net operating losses no longer required. The tax rate for Fiscal 2015 was lower than Fiscal 2014 primarily due to a \$7.0 million reversal of charges previously recorded related to formerly uncertain tax positions that were recorded by Schuh at the time of the purchase by the Company, which were favorably resolved during Fiscal 2015. Related to the same uncertain tax position, the Company wrote off a \$7.1 million indemnification asset during Fiscal 2015.

#### *Postretirement Benefits Plan Accounting*

Full-time employees who had at least 1,000 hours of service in calendar year 2004, except employees in the Lids Sports Group and Schuh Group segments, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

As required by the Compensation – Retirement Benefits Topic of the Codification, the Company is required to recognize the overfunded or underfunded status of postretirement benefit plans as an asset or liability in their Consolidated Balance Sheets and to recognize changes in that funded status in accumulated other comprehensive loss, net of tax, in the year in which the changes occur.

The Company recognizes pension expense on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Long Term Rate of Return Assumption – Pension expense increases as the expected rate of return on pension plan assets decreases. The Company estimates that the pension plan assets will generate a long-term rate of return of 6.35%. To develop this assumption, the Company considered historical asset returns, the current asset allocation and future expectations of asset returns. The expected long-term rate of return on plan assets is based on a long-term investment policy of 50% U.S. equities, 13% international equities, 35% U.S. fixed income securities and 2% cash equivalents. For Fiscal 2016, if the expected rate of return had been decreased by 1%, net pension expense would have increased by \$0.9 million, and if the expected rate of return had been increased by 1%, net pension expense would have decreased by \$0.9 million.

Discount Rate – Pension liability and future pension expense increase as the discount rate is reduced. The Company discounted future pension obligations using a rate of 4.30%, 3.55% and 4.40% for Fiscal 2016, 2015 and 2014, respectively. The discount rate at January 30, 2016 was determined based on a yield curve of high quality corporate bonds with cash flows matching the Company's plans' expected benefit payments. For Fiscal 2016, if the discount rate had been increased by 0.5%, net pension expense would have decreased by \$0.7 million, and if the discount rate had been decreased by 0.5%, net pension expense would have increased by \$0.7 million. In addition, if the discount rate had been increased by 0.5%, the projected benefit obligation would have decreased by \$6.9 million and the accumulated benefit obligation would have decreased by \$6.9 million. If the discount rate had been decreased by 0.5%, the projected benefit obligation would have been increased by \$7.7 million and the accumulated benefit obligation would have increased by \$7.7 million.

Amortization of Gains and Losses – The Company utilizes a calculated value of assets, which is an averaging method that recognizes changes in the fair values of assets over a period of five years. At the end of Fiscal 2016, the Company had unrecognized actuarial losses of \$21.4 million. Accounting principles generally accepted in the United States require that the Company recognize a portion of these losses when they exceed a calculated threshold. These losses might be recognized as a component of pension expense in future years and would be amortized over the average future service of employees, which is currently approximately nine years. Future changes in plan asset returns, assumed discount rates and various other

factors related to the pension plan will impact future pension expense and liabilities, including increasing or decreasing unrecognized actuarial gains and losses.

The Company recognized expense for its defined benefit pension plans of \$3.9 million, \$2.6 million and \$4.4 million in Fiscal 2016, 2015 and 2014, respectively. The Company's pension expense is expected to decrease in Fiscal 2017 by approximately \$3.9 million due to a smaller actuarial loss to be amortized, resulting from a higher discount rate and experience study updates. Additionally, the amortization period for gains and losses has increased due to the experience study updates.

### **Comparable Sales**

For purposes of this report, "comparable sales" are sales from stores open longer than one year, beginning in the fifty-third week of a store's operation (which we refer to in this report as "same store sales"), and sales from websites operated longer than one year and direct mail catalog sales (which we refer to in this report as "comparable direct sales"). Temporarily closed stores are excluded from the comparable sales calculation for every full week of the store closing. Expanded stores are excluded from the comparable sales calculation until the fifty-third week of operation in the expanded format. Current year foreign exchange rates are applied to both current year and prior year comparable sales to achieve a consistent basis for comparison.

### **Results of Operations—Fiscal 2016 Compared to Fiscal 2015**

The Company's net sales for Fiscal 2016 increased 5.7% to \$3.02 billion from \$2.86 billion in Fiscal 2015. The increase in net sales was a result of increased sales in Journeys Group, Lids Sports Group and Johnston & Murphy Group, while Schuh Group and Licensed Brands sales remained flat for Fiscal 2016. Gross margin increased 3.1% to \$1.44 billion in Fiscal 2016 from \$1.40 billion in Fiscal 2015, but decreased as a percentage of net sales from 49.0% in Fiscal 2015 to 47.8% in Fiscal 2016, primarily reflecting decreased gross margin as a percentage of net sales in the Lids Sports Group, Schuh Group and Johnston & Murphy Group, offset slightly by increased gross margin as a percentage of net sales in Journeys Group and Licensed Brands. Selling and administrative expenses in Fiscal 2016 increased 4.3% from Fiscal 2015 but decreased as a percentage of net sales from 43.0% to 42.5%, primarily reflecting expense decreases in Schuh Group, Lids Sports Group and Johnston & Murphy Group, partially offset by increased expenses in Journeys Group and Licensed Brands. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Earnings from continuing operations before income taxes ("pretax earnings") for Fiscal 2016 were \$151.5 million, compared to \$157.0 million for Fiscal 2015. Pretax earnings for Fiscal 2016 included asset impairment and other charges of \$7.9 million, including \$3.1 million for retail store asset impairments, \$2.5 million for asset write-downs, \$2.2 million for expenses related to the computer network intrusion announced in December 2010 and \$0.1 million for other legal matters. Pretax earnings for Fiscal 2016 also included a gain of \$4.7 million on the sale of Lids Team Sports and \$1.5 million in expense related to the deferred purchase price obligation related to the Schuh acquisition. Pretax earnings for Fiscal 2015 included asset impairment and other charges of \$2.3 million, including \$3.1 million for expenses related to the computer network intrusion, \$1.9 million for retail store asset impairments and \$0.7 million for other legal matters, partially offset by a \$3.4 million gain on a lease termination. Pretax earnings for Fiscal 2015 also included an indemnification asset write-off of \$7.1 million related to formerly uncertain tax positions that were taken by Schuh at the time of the purchase by the Company, which were favorably resolved during the year and \$7.3 million in expense related to the deferred purchase price obligation related to the Schuh acquisition.

Net earnings for Fiscal 2016 were \$94.6 million (\$4.11 diluted earnings per share) compared to \$97.7 million (\$4.12 diluted earnings per share) for Fiscal 2015. Net earnings for Fiscal 2016 included a \$0.8 million (\$0.03 diluted loss per share) charge to earnings (net of tax), primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company. Net earnings for Fiscal 2015 included a \$1.6 million (\$0.07 diluted loss per share) charge to earnings (net of tax), primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company. The Company recorded an effective federal income tax rate of 37.1% for Fiscal 2016 compared to 36.7% for Fiscal 2015. The effective tax rate for Fiscal 2016 benefited from increased foreign earnings and lowering of foreign tax rates combined with a release of \$1.3 million in valuation allowance on foreign net operating losses no longer required. The tax rate for Fiscal 2015 was lower primarily due to a \$7.0 million reversal of charges previously recorded related to formerly uncertain tax positions that were taken by Schuh at the time of the purchase by the Company, which were favorably resolved during Fiscal 2015. See Note 9 to the Consolidated Financial Statements for additional information.



### Journeys Group

	Fiscal Year Ended		% Change
	2016	2015	
	(dollars in thousands)		
Net sales	\$ 1,251,637	\$ 1,179,476	6.1%
Earnings from operations	\$ 126,248	\$ 114,784	10.0%
Operating margin	10.1%	9.7%	

Net sales from Journeys Group increased 6.1% to \$1.25 billion for Fiscal 2016 from \$1.18 billion for Fiscal 2015. The increase reflects primarily a 5% increase in comparable sales which includes a 5% increase in same store sales and an 18% increase in comparable direct sales, and a 1% increase in average Journeys stores operated (i.e. the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the year divided by thirteen). The comparable store sales increase reflected a 4% increase in average price per pair of shoes, while footwear unit comparable sales remained flat. The store count for Journeys Group was 1,222 stores at the end of Fiscal 2016, including 200 Journeys Kidz stores, 46 Shi by Journeys stores, 98 Underground by Journeys stores, 39 Journeys stores in Canada and 36 Little Burgundy stores in Canada, acquired in the fourth quarter of Fiscal 2016, compared to 1,182 stores at the end of Fiscal 2015, including 189 Journeys Kidz stores, 49 Shi by Journeys stores, 110 Underground by Journeys stores and 35 Journeys stores in Canada.

Journeys Group earnings from operations for Fiscal 2016 increased 10.0% to \$126.2 million, compared to \$114.8 million for Fiscal 2015. The increase in earnings from operations was primarily due to increased net sales and increased gross margin as a percentage of net sales, reflecting higher initial margins due to changes in sales mix.

### Schuh Group

	Fiscal Year Ended		% Change
	2016	2015	
	(dollars in thousands)		
Net sales	\$ 405,674	\$ 406,947	(0.3)%
Earnings from operations	\$ 19,124	\$ 10,110	89.2 %
Operating margin	4.7%	2.5%	

Net sales from the Schuh Group decreased 0.3% to \$405.7 million for Fiscal 2016, compared to \$406.9 million for Fiscal 2015. The sales decrease reflects primarily a decrease of \$33.0 million in sales due to the depreciation of the British Pound, offset by a 12% increase in average stores operated and a 3% increase in comparable sales which includes a 1% increase in same store sales and a 13% increase in comparable direct sales. Schuh Group operated 125 stores, including ten Schuh Kids stores at the end of Fiscal 2016 compared to 108 stores, including six Schuh Kids stores at the end of Fiscal 2015.

Schuh Group earnings from operations increased 89.2% to \$19.1 million in Fiscal 2016 compared to \$10.1 million for Fiscal 2015. Earnings included \$1.5 million for Fiscal 2016 and \$7.3 million for Fiscal 2015 in compensation expense related to a deferred purchase price obligation in connection with the Schuh acquisition in Fiscal 2014. Earnings also included \$11.8 million for Fiscal 2015 related to accruals for a contingent bonus payment for Schuh employees provided for in the Schuh acquisition. The increase in earnings from operations was primarily due to decreased expenses as a percentage of net sales, reflecting the decreases in deferred purchase price expense and contingent bonus expense referred to above. The decrease in expense more than offset the decreased gross margin as a percentage of net sales, which reflected increased shipping and warehouse expense and increased promotional activity.

*Lids Sports Group*

	Fiscal Year Ended		% Change
	2016	2015	
	(dollars in thousands)		
Net sales	\$ 975,504	\$ 902,661	8.1 %
Earnings from operations	\$ 17,040	\$ 48,970	(65.2)%
Operating margin	1.7%	5.4%	

Net sales from the Lids Sports Group increased 8.1% to \$975.5 million for Fiscal 2016 from \$902.7 million for Fiscal 2015. The increase primarily reflects a 6% increase in comparable sales, reflecting a 3% increase in same store sales and a 46% increase in comparable direct sales for Fiscal 2016 and a 2% increase in average Lids Sports Group stores operated, excluding leased departments. The comparable sales increase reflected a 14% increase in comparable store hat units sold while the average price per hat decreased 7% reflecting aggressive promotional activity to clear excess inventory positions throughout the year. Lids Sports Group operated 1,332 stores at the end of Fiscal 2016, including 113 Lids stores in Canada, 228 Lids Locker Room and Clubhouse stores, which include 38 Locker Room stores in Canada, and 185 Locker Room by Lids leased departments at Macy's, compared to 1,364 stores at the end of Fiscal 2015 including 117 Lids stores in Canada and 242 Lids Locker Room and Clubhouse stores, which include 37 Locker Room stores in Canada, and 190 Locker Room by Lids leased departments at Macy's.

Lids Sports Group earnings from operations for Fiscal 2016 decreased 65.2% to \$17.0 million compared to \$49.0 million for Fiscal 2015. The decrease in operating income was primarily due to decreased gross margin as a percentage of net sales, reflecting promotional activity, changes in sales mix and increased shipping and warehouse expenses.

*Johnston & Murphy Group*

	Fiscal Year Ended		% Change
	2016	2015	
	(dollars in thousands)		
Net sales	\$ 278,681	\$ 259,675	7.3%
Earnings from operations	\$ 17,761	\$ 14,856	19.6%
Operating margin	6.4%	5.7%	

Johnston & Murphy Group net sales increased 7.3% to \$278.7 million for Fiscal 2016 from \$259.7 million for Fiscal 2015. The increase reflected primarily a 6% increase in comparable sales which includes a 5% increase in same store sales and an 11% increase in comparable direct sales, a 1% increase in average stores operated for Johnston & Murphy retail operations and an 8% increase in Johnston & Murphy wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 6% in Fiscal 2016 while the average price per pair of shoes was flat for the same period. Retail operations accounted for 71.7% of the Johnston & Murphy Group's sales in Fiscal 2016, down slightly from 72.0% in Fiscal 2015. The comparable sales increase in Fiscal 2016 reflects a 4% increase in the average price per pair of shoes for Johnston & Murphy retail operations and a 1% increase in footwear unit comparable sales. The store count for Johnston & Murphy retail operations at the end of Fiscal 2016 included 173 Johnston & Murphy shops and factory stores, including seven stores in Canada, compared to 170 Johnston & Murphy shops and factory stores, including seven stores in Canada, at the end of Fiscal 2015.

Johnston & Murphy earnings from operations for Fiscal 2016 increased 19.6% to \$17.8 million from \$14.9 million for Fiscal 2015, primarily due to increased net sales and decreased expenses as a percentage of net sales, due primarily to decreased advertising expenses and occupancy costs.

*Licensed Brands*

	Fiscal Year Ended		% Change
	2016	2015	
	(dollars in thousands)		
Net sales	\$ 109,826	\$ 110,115	(0.3)%
Earnings from operations	\$ 9,236	\$ 10,459	(11.7)%
Operating margin	8.4%	9.5%	

Licensed Brands' net sales decreased 0.3% to \$109.8 million for Fiscal 2016 from \$110.1 million for Fiscal 2015. The small sales decrease reflects decreased sales of Dockers Footwear, offset by increased sales of SureGrip Footwear and Chaps Footwear. The sales decrease in Dockers Footwear reflects weakness in the department store channel. Unit sales for Dockers Footwear decreased 6% for Fiscal 2016, while the average price per pair of shoes increased 2% for the same period.

Licensed Brands' earnings from operations for Fiscal 2016 decreased 11.7%, from \$10.5 million for Fiscal 2015 to \$9.2 million, primarily due to increased expenses as a percentage of net sales, reflecting start-up costs for the launch of the Bass footwear line and increased compensation and bad debt expenses.

*Corporate, Interest Expenses and Other Charges*

Corporate and other expense for Fiscal 2016 was \$38.2 million compared to \$31.9 million for Fiscal 2015. Corporate expense in Fiscal 2016 included \$7.9 million in asset impairment and other charges, primarily for retail store asset impairments, asset write-downs, network intrusion expenses and other legal matters. Corporate expense in Fiscal 2015 included \$2.3 million in asset impairment and other charges, primarily for network intrusion expenses, retail store asset impairments and other legal matters, partially offset by a gain on a lease termination. Excluding the charges listed above, corporate and other expense increased primarily due to increased compensation expense and professional fees, partially offset by decreased foreign exchange losses.

Net interest expense increased 36.4% from \$3.2 million in Fiscal 2015 to \$4.4 million in Fiscal 2016 primarily due to increased revolver borrowings compared to the previous year as a result of the share repurchase program, Little Burgundy acquisition and increased borrowings to fund the Schuh contingent bonus and deferred purchase price payments.

**Results of Operations—Fiscal 2015 Compared to Fiscal 2014**

The Company's net sales for Fiscal 2015 increased 8.9% to \$2.86 billion from \$2.62 billion in Fiscal 2014. The increase in net sales was a result of increased sales across all of the Company's business segments. Gross margin increased 7.8% to \$1.40 billion in Fiscal 2015 from \$1.30 billion in Fiscal 2014, but decreased as a percentage of net sales from 49.5% in Fiscal 2014 to 49.0% in Fiscal 2015, primarily reflecting decreased gross margin as a percentage of net sales in the Schuh Group, Lids Sports Group and Johnston & Murphy Group, offset slightly by increased gross margin as a percentage of net sales in Journeys Group and Licensed Brands. Selling and administrative expenses in Fiscal 2015 increased 8.5% from Fiscal 2014 but decreased as a percentage of net sales from 43.2% to 43.0%, primarily reflecting expense decreases in Journeys Group and Schuh Group, partially offset by increased expenses in Lids Sports Group, Johnston & Murphy Group and Licensed Brands. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Pretax earnings for Fiscal 2015 were \$157.0 million, compared to \$158.9 million for Fiscal 2014. Pretax earnings for Fiscal 2015 included asset impairment and other charges of \$2.3 million, including \$3.1 million for expenses related to the computer network intrusion announced in December 2010, \$1.9 million for retail store asset impairments and \$0.7 million for other legal matters, partially offset by a \$3.4 million gain on a lease termination. Pretax earnings for Fiscal 2015 also included an indemnification asset write-off of \$7.1 million related to formerly uncertain tax positions that were taken by Schuh at the time of the purchase by the Company, which were favorably resolved during the year and \$7.3 million in expense related to the deferred purchase price obligation related to the Schuh acquisition. Pretax earnings for Fiscal 2014 included asset impairment and other charges of \$1.3 million, including \$3.3 million for expenses related to the computer network intrusion announced in December 2010, \$2.4 million for other legal matters, \$2.3 million for retail store asset impairments and \$1.6 million for a lease termination partially offset by an \$(8.3) million gain on the lease termination of a New York City Journeys store. Pretax earnings for Fiscal 2014 also include \$11.7 million in expense related to the deferred purchase price obligation related to the Schuh acquisition.

Net earnings for Fiscal 2015 were \$97.7 million (\$4.12 diluted earnings per share) compared to \$92.7 million (\$3.92 diluted earnings per share) for Fiscal 2014. Net earnings for Fiscal 2015 included a \$1.6 million (\$0.07 diluted loss per share) charge to earnings (net of tax), primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company. Net earnings for Fiscal 2014 included a \$0.3 million (\$0.02 diluted loss per share) charge to earnings (net of tax) primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company. The Company recorded an effective federal income tax rate of 36.7% for Fiscal 2015 compared to 41.5% for Fiscal 2014. The tax rate for Fiscal 2015 was lower primarily due to a \$7.0 million reversal of charges previously recorded related to formerly uncertain tax positions that were taken by Schuh at the time of the purchase by the Company, which were favorably resolved during Fiscal 2015. See Note 9 to the Consolidated Financial Statements for additional information.

#### Journeys Group

	Fiscal Year Ended		% Change
	2015	2014	
	(dollars in thousands)		
Net sales	\$ 1,179,476	\$ 1,082,241	9.0%
Earnings from operations	\$ 114,784	\$ 97,377	17.9%
Operating margin	9.7%	9.0%	

Net sales from Journeys Group increased 9.0% to \$1.18 billion for Fiscal 2015 from \$1.08 billion for Fiscal 2014. The increase reflects primarily an 8% increase in comparable sales which includes a 7% increase in same store sales and a 30% increase in comparable direct sales, and a 1% increase in average Journeys stores operated (i.e. the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the year divided by thirteen). The comparable store sales increase reflected a 6% increase in footwear unit comparable sales while the average price per pair of shoes remained flat. The store count for Journeys Group was 1,182 stores at the end of Fiscal 2015, including 189 Journeys Kidz stores, 49 Shi by Journeys stores, 110 Underground by Journeys stores and 35 Journeys stores in Canada, compared to 1,168 stores at the end of Fiscal 2014, including 174 Journeys Kidz stores, 50 Shi by Journeys stores, 117 Underground by Journeys stores and 31 Journeys stores in Canada.

Journeys Group earnings from operations for Fiscal 2015 increased 17.9% to \$114.8 million, compared to \$97.4 million for Fiscal 2014. The increase in earnings from operations was primarily due to increased net sales, increased gross margin as a percentage of net sales, reflecting lower markdowns, and to decreased expenses as a percentage of net sales, reflecting positive leverage from positive comparable sales.

#### Schuh Group

	Fiscal Year Ended		% Change
	2015	2014	
	(dollars in thousands)		
Net sales	\$ 406,947	\$ 364,732	11.6%
Earnings from operations	\$ 10,110	\$ 3,063	230.1%
Operating margin	2.5%	0.8%	

Net sales from the Schuh Group increased 11.6% to \$406.9 million for Fiscal 2015, compared to \$364.7 million for Fiscal 2014. The sales increase reflects primarily a 7% increase in average stores operated, an increase of \$12.2 million in sales due to the appreciation of the British Pound and a 1% increase in comparable sales which includes a 1% decrease in same store sales and a 12% increase in comparable direct sales. Schuh Group operated 108 stores, including six Schuh Kids stores at the end of Fiscal 2015 compared to 99 stores, including four Schuh Kids stores at the end of Fiscal 2014.

Schuh Group earnings from operations increased to \$10.1 million in Fiscal 2015 compared to \$3.1 million for Fiscal 2014. Earnings included \$7.3 million for Fiscal 2015 and \$11.7 million for Fiscal 2014 in compensation expense related to a deferred purchase price obligation in connection with the acquisition. Earnings also included \$11.8 million for Fiscal 2015 and \$13.1 million for Fiscal 2014 related to accruals for a contingent bonus payment for Schuh employees provided for in the Schuh acquisition. The increase in earnings from operations was primarily due to increased net sales and decreased expenses as a percentage of net sales, reflecting the decreases in deferred purchase price expense and contingent bonus

expense referred to above. The decrease in expense more than offset the decreased gross margin as a percentage of net sales, which reflected increased shipping and warehouse expense and increased markdowns.

#### Lids Sports Group

	Fiscal Year Ended		% Change
	2015	2014	
	(dollars in thousands)		
Net sales	\$ 902,661	\$ 820,996	9.9 %
Earnings from operations	\$ 48,970	\$ 63,748	(23.2)%
Operating margin	5.4%	7.8%	

Net sales from the Lids Sports Group increased 9.9% to \$902.7 million for Fiscal 2015 from \$821.0 million for Fiscal 2014. The increase primarily reflects a 6% increase in average Lids Sports Group stores operated, excluding leased departments, and a 2% increase in comparable sales, reflecting a 1% increase in same store sales and a 14% increase in comparable direct sales for Fiscal 2015. The comparable sales increase reflected a 2% increase in comparable store hat units sold while the average price per hat remained flat. Lids Sports Group operated 1,364 stores at the end of Fiscal 2015, including 117 Lids stores in Canada, 242 Lids Locker Room and Clubhouse stores, which include 37 Locker Room stores in Canada, and 190 Locker Room by Lids leased departments at Macy's, compared to 1,133 stores at the end of Fiscal 2014, including 110 Lids stores in Canada and 177 Lids Locker Room and Clubhouse stores, and 26 Locker Room by Lids leased departments at Macy's.

Lids Sports Group earnings from operations for Fiscal 2015 decreased 23.2% to \$49.0 million compared to \$63.7 million for Fiscal 2014. The decrease in operating income was primarily due to decreased gross margin as a percentage of net sales, reflecting promotional activity, increased shipping and warehouse expenses and changes in sales mix, and to increased expenses as a percentage of net sales, primarily reflecting increased occupancy and central expenses to support growth initiatives.

#### Johnston & Murphy Group

	Fiscal Year Ended		% Change
	2015	2014	
	(dollars in thousands)		
Net sales	\$ 259,675	\$ 245,941	5.6 %
Earnings from operations	\$ 14,856	\$ 17,638	(15.8)%
Operating margin	5.7%	7.2%	

Johnston & Murphy Group net sales increased 5.6% to \$259.7 million for Fiscal 2015 from \$245.9 million for Fiscal 2014. The increase reflected primarily a 5% increase in average stores operated for Johnston & Murphy retail operations, a 1% increase in comparable sales which includes a 1% increase in same store sales and a 1% decrease in comparable direct sales, and a 4% increase in Johnston & Murphy wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 3% in Fiscal 2015 and the average price per pair of shoes increased 1% for the same period. Retail operations accounted for 71.8% of the Johnston & Murphy Group's sales in Fiscal 2015, down slightly from 71.9% in Fiscal 2014. The comparable sales increase in Fiscal 2015 reflects a 3% increase in the average price per pair of shoes for Johnston & Murphy retail operations, while footwear unit comparable sales decreased 3%. The store count for Johnston & Murphy retail operations at the end of Fiscal 2015 included 170 Johnston & Murphy shops and factory stores, including seven stores in Canada, compared to 168 Johnston & Murphy shops and factory stores, including seven stores in Canada, at the end of Fiscal 2014.

Johnston & Murphy earnings from operations for Fiscal 2015 decreased 15.8% to \$14.9 million from \$17.6 million for Fiscal 2014, primarily due to decreased gross margin as a percentage of net sales, reflecting higher markdowns and increased shipping and warehouse expenses, and to increased expenses as a percentage of net sales, due primarily to increased advertising expenses, occupancy costs and selling salaries.

### Licensed Brands

	Fiscal Year Ended		% Change
	2015	2014	
	(dollars in thousands)		
Net sales	\$ 110,115	\$ 109,780	0.3 %
Earnings from operations	\$ 10,459	\$ 10,614	(1.5)%
Operating margin	9.5%	9.7%	

Licensed Brands' net sales increased 0.3% to \$110.1 million for Fiscal 2015 from \$109.8 million for Fiscal 2014. The small sales increase reflects an increase in sales of SureGrip Footwear, mostly offset by decreased sales of Dockers Footwear. Unit sales for Dockers Footwear decreased 6% for Fiscal 2015, while the average price per pair of shoes increased 4% for the same period.

Licensed Brands' earnings from operations for Fiscal 2015 decreased 1.5%, from \$10.6 million for Fiscal 2014 to \$10.5 million, primarily due to increased expenses as a percentage of net sales, reflecting license agreement expense and increased compensation and depreciation expenses.

### Corporate, Interest Expenses and Other Charges

Corporate and other expense for Fiscal 2015 was \$31.9 million compared to \$29.0 million for Fiscal 2014. Corporate expense in Fiscal 2015 included \$2.3 million in asset impairment and other charges, primarily for network intrusion expenses, retail store asset impairments and other legal matters, partially offset by a gain on a lease termination. Corporate expense in Fiscal 2014 included \$1.3 million in asset impairment and other charges, primarily for network intrusion expenses, retail store asset impairments, other legal matters and a lease termination, partially offset by a gain on another lease termination. Excluding the charges listed above, corporate and other expense increased primarily due to increased bonus expense as a result of the reversal of bonus accruals last year.

Net interest expense decreased 29.5% from \$4.6 million in Fiscal 2014 to \$3.2 million in Fiscal 2015 primarily due to lower average borrowings under the Company's Credit Facility.

### Liquidity and Capital Resources

The following table sets forth certain financial data at the dates indicated.

	Jan. 30, 2016	Jan. 31, 2015	Feb. 1, 2014
	(dollars in millions)		
Cash and cash equivalents	\$ 133.3	\$ 112.9	\$ 59.4
Working capital	\$ 476.5	\$ 441.7	\$ 451.3
Long-term debt (includes current maturities)	\$ 112.1	\$ 29.2	\$ 33.7

### Working Capital

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

Cash provided by operating activities was \$145.1 million in Fiscal 2016 compared to \$189.8 million in Fiscal 2015. The \$44.7 million decrease from operating activities from Fiscal 2015 reflects a decrease in cash flow from changes in other accrued liabilities and other assets and liabilities combined, accounts payable and prepaids and other current assets of \$52.7 million, \$25.1 million and \$9.1 million, respectively, partially offset by a \$58.8 million increase in cash flow from changes in inventory.

The \$52.7 million decrease in cash flow from other accrued liabilities and other assets and liabilities combined reflects the Schuh contingent bonus, deferred purchase price and other acquisition related payments and an increase in income tax payments this year versus last year. The \$25.1 million decrease in cash flow from accounts payable reflects changes in buying patterns and payment terms negotiated with individual vendors and is related to the reduction in inventory. The \$9.1 million decrease in cash flow from prepaids and other current assets reflects changes in prepaid taxes and increased

prepaid rent from store growth. The \$58.8 million increase in cash flow from inventory reflects a reduction in Lids Sports Group inventory, partially offset primarily by an increase in Journeys Group inventory.

The \$27.8 million decrease in inventories at January 30, 2016 from January 31, 2015 levels reflects decreases in Lids Sports Group, partially offset by increased inventory in Journeys Group, Johnston & Murphy Group and Licensed Brands.

Accounts receivable at January 30, 2016 increased \$6.7 million compared to January 31, 2015 due to increased footwear wholesale sales and the Company's processing of payroll for former Lids Team Sports employees during a transitional period following the sale of the Lids Team Sports business, for which the Company is due reimbursement as a result of the sale of that business.

Cash provided by operating activities was \$189.8 million in Fiscal 2015 compared to \$140.0 million in Fiscal 2014. The \$49.8 million increase from operating activities from Fiscal 2014 reflects an increase in cash flow from changes in inventory, prepaids and other current assets and accounts payable of \$27.4 million, \$9.1 million and \$7.8 million, respectively, and to increased earnings. The \$27.4 million increase in cash flow from inventory reflects a reduction in Journeys Group inventory.

The \$9.1 million increase in cash flow from prepaids and other current assets reflected changes in prepaid income taxes. The \$7.8 million increase in cash flow from accounts payable reflects changes in buying patterns and payment terms negotiated with individual vendors.

The \$31.0 million increase in inventories at January 31, 2015 from February 1, 2014 levels reflects increases in Lids Sports Group and Johnston & Murphy retail inventory, resulting from a net increase of 231 Lids Sports Group stores and leased departments, slower than expected holiday sales and increased wholesale inventory in Lids Team Sports and Johnston & Murphy.

Accounts receivable at January 31, 2015 increased \$1.3 million compared to February 1, 2014.

#### *Sources of Liquidity*

The Company has three principal sources of liquidity: cash from operations, cash and cash equivalents on hand and the Credit Facilities discussed below. The Company believes that cash and cash equivalents on hand, cash from operations and availability under its Credit Facilities will be sufficient to cover its working capital and capital expenditures for the foreseeable future.

On December 4, 2015, the Company entered into the First Amendment to the Third Amended and Restated Credit Agreement dated as of January 31, 2014 (the "Credit Facility") by the among the company, certain subsidiaries of the Company party thereto, as other Borrowers, with the lenders party thereto and Bank of America, N.A., as agent, providing for a revolving credit facility in the aggregate principal amount of \$400.0 million, including a \$70.0 million sublimit for the issuance of letters of credit and a domestic swingline subfacility of up to \$40.0 million, a revolving credit subfacility for the benefit of GCO Canada, Inc. in an aggregate amount not to exceed \$70.0 million, which includes a \$5.0 million sublimit for the issuance of letters of credit, and revolving credit subfacility for the benefit of Genesco (UK) Limited in an aggregate amount not to exceed \$50.0 million, which includes a \$10.0 million sublimit for the issuance of letters of credit and a swingline subfacility of up to \$10.0 million. The facility has a five-year term from January 31, 2014. Any swingline loans and any letters of credit and borrowings under the Canadian facilities will reduce the availability under the Credit Facility on a dollar-for-dollar basis.

The Company has the option, from time to time, to increase the availability under the Credit Facility by an aggregate amount of up to \$150.0 million subject to, among other things, the receipt of commitments for the increased amount. In connection with this increased facility, the Canadian revolving credit facility may be increased up to no more than \$85.0 million.

Genesco (UK) Limited has a one-time option to increase the availability of its subfacility under the Credit Facility by an additional amount of up to \$50.0 million.

The aggregate amount of the loans made and letters of credit issued under the Credit Facility shall at no time exceed the lesser of the facility amount (\$400.0 million or, if increased as described above, up to \$550.0 million or \$600.0 million, respectively) or the "Borrowing Base", which generally is based on 90% of eligible inventory plus 85% of eligible wholesale receivables plus 90% of eligible credit card and debit card receivables less applicable reserves (the "Loan Cap"). The relevant assets of Genesco (UK) Limited will be included in the Borrowing Base if the additional \$50.0 million sublimit increase is exercised, provided that amounts borrowed by Genesco (UK) Limited based solely on its own borrowing base will be limited to \$50.0 million and the total outstanding to Genesco (UK) Limited will not exceed 30% of the Loan Cap.



The Credit Facility also provides that a first-in, last-out tranche could be added to the revolving credit facility at the option of the Company subject to, among other things, the receipt of commitments for such tranche. For additional information on the Company's Credit Facility, see Note 6 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data".

In May 2015, Schuh Group Limited entered into a Form of Amended and Restated Facilities Agreement and Working Capital Facility Letter ("UK Credit Facilities") which replaced the former A, B and C term loans with a new Facility A of £17.5 million and a Facility B of £11.6 million (which was the former Facility C loan) as well as provided an additional revolving credit facility, Facility C, of £22.5 million and a working capital facility of £2.5 million. The Facility A loan bears interest at LIBOR plus 1.8% per annum with quarterly payments through April 2017. The Facility B loan bears interest at LIBOR plus 2.5% per annum with quarterly payments through September 2019. The Facility C bears interest at LIBOR plus 2.2% per annum and expires in September 2019.

There were \$28.9 million in UK term loans and \$24.8 million in UK revolver loans outstanding at January 30, 2016. The UK Credit Facilities contain certain covenants at the Schuh level including a minimum interest coverage covenant of 4.50x and thereafter, a maximum leverage covenant initially set at 2.25x declining over time at various rates to 1.75x beginning in April 2017 and a minimum cash flow coverage of 1.00x. The Company was in compliance with all the covenants at January 30, 2016. The UK Credit Facilities are secured by a pledge of all the assets of Schuh and its subsidiaries.

The Company's revolving credit borrowings averaged \$49.6 million during Fiscal 2016 and \$17.3 million during Fiscal 2015, as cash on hand, cash generated from operations and revolver borrowings primarily funded seasonal working capital requirements, capital expenditures and stock repurchases for Fiscal 2016 and Fiscal 2015, along with the acquisition of Little Burgundy in Fiscal 2016.

There were \$13.5 million of letters of credit outstanding and \$58.3 million of revolver borrowings outstanding, including \$22.1 million (£15.6 million) related to Genesco (UK) Limited and \$36.2 million (C\$51.0 million) related to GCO Canada, under the Credit Facility at January 30, 2016. The Company is not required to comply with any financial covenants under the Credit Facility unless Excess Availability (as defined in the Credit Agreement) is less than the greater of \$25.0 million or 10.0% of the Loan Cap. If and during such time as Excess Availability is less than the greater of \$25.0 million or 10.0% of the Loan Cap, the Credit Facility requires the Company to meet a minimum fixed charge coverage ratio of (a) an amount equal to consolidated EBITDA less capital expenditures and taxes paid in cash, in each case for such period, to (b) fixed charges for such period, of not less than 1.0:1.0. Excess Availability was \$279.3 million at January 30, 2016. Because Excess Availability exceeded \$25.0 million or 10.0% of the Loan Cap, the Company was not required to comply with this financial covenant at January 30, 2016.

The Credit Facility contains customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to certain other material indebtedness in excess of specified amounts and to agreements which would have a material adverse effect if breached, certain events of bankruptcy and insolvency, certain ERISA events, judgments in excess of specified amounts and change in control.

The Company's Credit Facility prohibits the payment of dividends and other restricted payments unless as of the date of the making of any Restricted Payment (as defined in the Credit Facility) or consummation of any Acquisition (as defined in the Credit Facility), (a) no Default (as defined in the Credit Facility) or Event of Default (as defined in the Credit Facility) exists or would arise after giving effect to such Restricted Payment or Acquisition, and (b) either (i) the Borrowers (as defined in the Credit Facility) have pro forma projected Excess Availability for the following six month period equal to or greater than 25% of the Loan Cap, after giving pro forma effect to such Restricted Payment or Acquisition, or (ii) (A) the Borrowers have pro forma projected Excess Availability for the following six month period of less than 25% of the Loan Cap but equal to or greater than 15% of the Loan Cap, after giving pro forma effect to the Restricted Payment or Acquisition, and (B) the Fixed Charge Coverage Ratio (as defined in the Credit Facility), on a pro-forma basis for the twelve months preceding such Restricted Payment or Acquisition, will be equal to or greater than 1.0:1.0 and (c) after giving effect to such Restricted Payment or Acquisition, the Company and the other Borrowers under the Credit Facility are Solvent (as defined in the Credit Facility). Notwithstanding the foregoing, the company may make cash dividends on preferred stock up to \$500,000 in any fiscal year absent a continuing Event of Default. The Company's management does not expect availability under the Credit Facility to fall below the requirements listed above during Fiscal 2017.

#### *Off-Balance Sheet Arrangements*

None.



### Contractual Obligations

The following tables set forth aggregate contractual obligations and commitments as of January 30, 2016.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-Term Debt Obligations	\$ 112,058	\$ 14,182	\$ 63,308	\$ 34,568	\$ —
Operating Lease Obligations	1,297,902	238,660	387,144	295,662	376,436
Purchase Obligations <sup>(1)</sup>	678,582	678,582	—	—	—
Long-Term Obligations – Schuh <sup>(2)</sup>	2,939	984	1,501	454	—
Other Long-Term Liabilities	1,134	176	351	351	256
<b>Total Contractual Obligations<sup>(3)</sup></b>	<b>\$ 2,092,615</b>	<b>\$ 932,584</b>	<b>\$ 452,304</b>	<b>\$ 331,035</b>	<b>\$ 376,692</b>

Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Letters of Credit	\$ 13,519	\$ 13,519	\$ —	\$ —	\$ —
<b>Total Commercial Commitments</b>	<b>\$ 13,519</b>	<b>\$ 13,519</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

(1) Represents open purchase orders for inventory.

(2) Includes interest on the UK debt. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data".

(3) Excludes unrecognized tax benefits of \$10.2 million due to their uncertain nature in timing of payments, if any.

The total accrued benefit liability for pension and other postretirement benefit plans as of January 30, 2016, was \$16.8 million. This amount is impacted by, among other items, pension expense, funding levels, plan amendments, changes in plan demographics and assumptions, and the investment return on plan assets. Because the accrued liability does not represent expected liquidity needs, the Company did not include this amount in the contractual obligations table. There is no requirement for the Company to make a pension plan contribution. See Note 10 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data".

### Capital Expenditures

Capital expenditures were \$100.7 million, \$103.1 million and \$98.5 million for Fiscal 2016, 2015 and 2014, respectively. The \$2.4 million decrease in Fiscal 2016 capital expenditures as compared to Fiscal 2015 is primarily due to decreases in capital expenditures of Lids Sports Group partially offset by increased retail capital expenditures in Journeys Group. The \$4.6 million increase in Fiscal 2015 capital expenditures as compared to Fiscal 2014 reflected an increase primarily due to major capital projects related to a fit-out of a new distribution center and construction of a new office building.

Total capital expenditures in Fiscal 2017 are expected to be approximately \$125 million to \$135 million. These include retail capital expenditures of approximately \$114 million to \$124 million to open approximately 40 Journeys stores, including 10 in Canada, 45 Journeys Kidz stores, two Little Burgundy stores, nine Schuh stores, including three Schuh Kids stores, nine Johnston & Murphy shops and factory stores, and 25 Lids Sports Group stores, including 20 Lids stores, with 5 stores in Canada, and 5 Lids Locker Room stores, and to complete approximately 231 major store renovations. The planned amount of capital expenditures in Fiscal 2017 for wholesale operations and other purposes is approximately \$11 million, including approximately \$5.6 million for new systems.

### Future Capital Needs

The Company expects that cash on hand and cash provided by operations and borrowings under its Credit Facilities will be sufficient to support seasonal working capital, capital expenditure requirements and share repurchases during Fiscal 2017. The approximately \$11.4 million of costs associated with discontinued operations that are expected to be paid during the next twelve months are expected to be funded from cash on hand, cash generated from operations and borrowings under the Credit Facilities during Fiscal 2017.

The Company had total available cash and cash equivalents of \$133.3 million and \$112.9 million as of January 30, 2016 and January 31, 2015, respectively, of which approximately \$24.1 million and \$25.2 million was held by the Company's foreign subsidiaries as of January 30, 2016 and January 31, 2015, respectively. The Company's strategic plan does not require the repatriation of foreign cash in order to fund its operations in the U.S., and it is the Company's current intention to permanently reinvest its foreign cash and cash equivalents outside of the U.S. If the Company were to repatriate foreign cash to the U.S., it would be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations as a result of the repatriation.

#### *Common Stock Repurchases*

Pursuant to its Board-approved share repurchase program, the Company repurchased 2,383,384 shares at a cost of \$144.9 million during Fiscal 2016, of which \$7.2 million was not paid in the fourth quarter but included in other accrued liabilities in the Consolidated Balance Sheets. The Company has repurchased 663,200 shares in the first quarter of Fiscal 2017, through March 29, 2016, at a cost of \$43.2 million. The Company has \$40.9 million remaining as of March 29, 2016 under its current \$100.0 million share repurchase authorization. The Company repurchased 64,709 shares at a cost of \$4.6 million during Fiscal 2015. The Company repurchased 337,665 shares at a cost of \$20.7 million during Fiscal 2014.

#### **Environmental and Other Contingencies**

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Item 3, "Legal Proceedings" and Note 13 to the Company's Consolidated Financial Statements. The Company has made pretax accruals for certain of these contingencies, including approximately \$0.8 million reflected in Fiscal 2016, \$2.8 million reflected in Fiscal 2015 and \$0.5 million reflected in Fiscal 2014. These charges are included in provision for discontinued operations, net in the Consolidated Statements of Operations because they relate to former facilities operated by the Company. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its accrued liability in relation to each proceeding is a best estimate of the probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional provisions, that some or all liabilities may not be adequate or that the amounts of any such additional provisions or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

#### **Financial Market Risk**

The following discusses the Company's exposure to financial market risk.

**Outstanding Debt of the Company** – The Company has \$28.9 million of outstanding U.K. term loans at a weighted average interest rate of 2.78% as of January 30, 2016. A 100 basis point increase in interest rates would increase annual interest expense by \$0.3 million on the \$28.9 million term loans. The Company has \$24.8 million of outstanding U.K. revolver borrowings at a weighted average interest rate of 2.78% as of January 30, 2016. A 100 basis point increase in interest rates would increase annual interest expense by \$0.2 million on the \$24.8 million revolver borrowings. The Company has \$58.3 million of outstanding U.S. revolver borrowings at a weighted average interest rate of 2.12% as of January 30, 2016. A 100 basis point increase in interest rates would increase annual interest expense by \$0.6 million on the \$58.3 million revolver borrowings.

**Cash and Cash Equivalents** – The Company's cash and cash equivalent balances are invested in financial instruments with original maturities of three months or less. The Company did not have significant exposure to changing interest rates on invested cash at January 30, 2016. As a result, the Company considers the interest rate market risk implicit in these investments at January 30, 2016 to be low.

**Summary** – Based on the Company's overall market interest rate exposure at January 30, 2016, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2017 would not be material.

**Accounts Receivable** – The Company's accounts receivable balance at January 30, 2016 is concentrated primarily in two of its footwear wholesale businesses, which sell primarily to department stores and independent retailers across the United States. In the footwear wholesale businesses, one customer accounted for 9%, two other customers each accounted for 8% while all other customers accounted for 7% or less of the Company's total trade receivables balance as of January

30, 2016. The Company monitors the credit quality of its customers and establishes an allowance for doubtful accounts based upon factors surrounding credit risk of specific customers, historical trends and other information, as well as customer specific factors; however, credit risk is affected by conditions or occurrences within the economy and the retail industry, as well as company-specific information.

**Foreign Currency Exchange Risk** – The Company is exposed to translation risk because certain of its foreign operations utilize the local currency as their functional currency and those financial results must be translated into United States dollars. As currency exchange rates fluctuate, translation of the Company's financial statements of foreign businesses into United States dollars affects the comparability of financial results between years.

#### **New Accounting Principles**

In February 2016, the FASB issued ASU 2016-02, "Leases" ("ASU 2016-02"). The standard's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which would be the beginning of our Fiscal 2020 or February 2019. Early adoption is permitted. The Company is currently assessing the impact the adoption of ASU 2016-02 will have on its Consolidated Financial Statements and related disclosures and is expecting a material impact because the Company is party to a significant number of lease contracts.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and may be applied either prospectively or retrospectively. Early adoption is permitted. As of January 30, 2016, the Company has \$29.0 million of current deferred tax assets that will be reclassified to noncurrent deferred tax assets on its Consolidated Balance Sheets. The change to noncurrent classification could have a significant impact on our working capital. The Company is currently assessing which transition method will be adopted.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" ("ASU 2015-15"). ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03 or ASU 2015-15. These ASU's are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early adoption permitted. ASU 2015-03 will require the Company to reclassify its deferred financing costs associated with its long-term debt from other noncurrent assets to long-term debt on a retrospective basis. The Company does not expect the new standards to impact the Company's results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and merges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. ASU 2014-09 was originally effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, however, in August 2015, the FASB deferred this ASU for one year, which would be the beginning of our Fiscal 2019 or February 2018. The amendment is to be applied either retrospectively to each prior reporting period presented or with the cumulative effect recognized at the date of initial adoption as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets on the balance sheet). Early adoption is not permitted. The Company is currently assessing the impact the adoption of ASU 2014-09 will have on its Consolidated Financial Statements and related disclosures, including which transition method will be adopted.

#### **Inflation**

The Company does not believe inflation has had a material impact on sales or operating results during periods covered in this discussion.

**ITEM 7A, QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company incorporates by reference the information regarding market risk appearing under the heading “Financial Market Risk” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

**ITEM 8, FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</a>	<a href="#">44</a>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">45</a>
<a href="#">Consolidated Balance Sheets, January 30, 2016 and January 31, 2015</a>	<a href="#">46</a>
<a href="#">Consolidated Statements of Operations, each of the three fiscal years ended 2016, 2015 and 2014</a>	<a href="#">48</a>
<a href="#">Consolidated Statements of Comprehensive Income, each of the three fiscal years ended 2016, 2015 and 2014</a>	<a href="#">49</a>
<a href="#">Consolidated Statements of Cash Flows, each of the three fiscal years ended 2016, 2015 and 2014</a>	<a href="#">50</a>
<a href="#">Consolidated Statements of Equity, each of the three fiscal years ended 2016, 2015 and 2014</a>	<a href="#">51</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">52</a>

**Report of Independent Registered Public Accounting Firm  
On Internal Control over Financial Reporting**

The Board of Directors and Shareholders  
Genesco Inc.

We have audited Genesco Inc. and Subsidiaries' internal control over financial reporting as of January 30, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Genesco Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Genesco Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of January 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Genesco Inc. and Subsidiaries as of January 30, 2016 and January 31, 2015, and the related consolidated statements of operations, comprehensive income, cash flows, and equity for each of the three fiscal years in the period ended January 30, 2016, and our report dated March 30, 2016 expressed an unqualified opinion thereon. Our audits also included the financial statement schedule listed in the Index at Item 15.

/s/ Ernst & Young LLP

Nashville, Tennessee  
March 30, 2016

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
Genesco Inc.

We have audited the accompanying consolidated balance sheets of Genesco Inc. and Subsidiaries (the “Company”) as of January 30, 2016 and January 31, 2015, and the related consolidated statements of operations, comprehensive income, cash flows and equity for each of the three fiscal years in the period ended January 30, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genesco Inc. and Subsidiaries at January 30, 2016 and January 31, 2015, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 30, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of January 30, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated March 30, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee  
March 30, 2016

**Genesco Inc.  
and Subsidiaries**  
Consolidated Balance Sheets  
In Thousands, except share amounts

<b>Assets</b>	<b>As of Fiscal Year End</b>	
	<b>January 30, 2016</b>	<b>January 31, 2015</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 133,288	\$ 112,867
Accounts receivable, net of allowances of \$2,960 at January 30, 2016 and \$4,191 at January 31, 2015	47,265	55,263
Inventories	529,758	598,145
Deferred income taxes	28,965	28,293
Prepays and other current assets	60,810	53,090
<b>Total current assets</b>	<b>800,086</b>	<b>847,658</b>
Property and equipment:		
Land	8,038	7,653
Buildings and building equipment	51,768	32,872
Computer hardware, software and equipment	183,985	164,512
Furniture and fixtures	209,337	192,078
Construction in progress	16,190	25,587
Improvements to leased property	359,591	349,087
Property and equipment, at cost	828,909	771,789
Accumulated depreciation	(505,581)	(466,037)
Property and equipment, net	323,328	305,752
Deferred income taxes	959	31
Goodwill	281,385	296,865
Trademarks, net of accumulated amortization of \$5,039 at January 30, 2016 and \$5,054 at January 31, 2015	86,740	82,263
Other intangibles, net of accumulated amortization of \$15,947 at January 30, 2016 and \$23,389 at January 31, 2015	3,569	11,585
Other noncurrent assets	45,416	38,933
<b>Total Assets</b>	<b>\$ 1,541,483</b>	<b>\$ 1,583,087</b>

**Genesco Inc.  
and Subsidiaries**  
Consolidated Balance Sheets  
In Thousands, except share amounts

<b>Liabilities and Equity</b>	<b>As of Fiscal Year End</b>	
	<b>January 30, 2016</b>	<b>January 31, 2015</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 154,241	\$ 176,307
Accrued employee compensation	23,666	88,030
Accrued other taxes	24,508	33,965
Accrued income taxes	16,349	12,921
Current portion – long-term debt	14,182	13,152
Other accrued liabilities	79,282	71,036
Provision for discontinued operations	11,389	10,505
<b>Total current liabilities</b>	<b>323,617</b>	<b>405,916</b>
Long-term debt	97,876	16,003
Pension liability	9,957	22,184
Deferred rent and other long-term liabilities	149,020	135,953
Provision for discontinued operations	4,230	4,254
<b>Total liabilities</b>	<b>584,700</b>	<b>584,310</b>
Commitments and contingent liabilities		
<b>Equity</b>		
Non-redeemable preferred stock	1,077	1,274
Common equity:		
Common stock, \$1 par value:		
Authorized: 80,000,000 shares		
Issued/Outstanding:		
January 30, 2016 – 22,322,799/21,834,335		
January 31, 2015 – 24,515,362/24,026,898	22,323	24,515
Additional paid-in capital	224,004	208,888
Retained earnings	768,222	820,563
Accumulated other comprehensive loss	(42,613)	(40,576)
Treasury shares, at cost (488,464 shares)	(17,857)	(17,857)
<b>Total Genesco equity</b>	<b>955,156</b>	<b>996,807</b>
Noncontrolling interest – non-redeemable	1,627	1,970
<b>Total equity</b>	<b>956,783</b>	<b>998,777</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,541,483</b>	<b>\$ 1,583,087</b>

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



**Genesco Inc.  
and Subsidiaries**  
Consolidated Statements of Operations  
In Thousands, except per share amounts

	Fiscal Year		
	2016	2015	2014
Net sales	\$ 3,022,234	\$ 2,859,844	\$ 2,624,972
Cost of sales	1,578,768	1,459,433	1,325,922
Selling and administrative expenses	1,284,322	1,230,864	1,134,274
Asset impairments and other, net	7,893	2,281	1,341
Earnings from operations	151,251	167,266	163,435
Gain on sale of Lids Team Sports	(4,685)	—	—
Indemnification asset write-off	—	7,050	—
Interest expense, net:			
Interest expense	4,414	3,337	4,641
Interest income	(11)	(110)	(66)
Total interest expense, net	4,403	3,227	4,575
Earnings from continuing operations before income taxes	151,533	156,989	158,860
Income tax expense	56,152	57,616	65,878
Earnings from continuing operations	95,381	99,373	92,982
Provision for discontinued operations, net	(812)	(1,648)	(329)
<b>Net Earnings</b>	<b>\$ 94,569</b>	<b>\$ 97,725</b>	<b>\$ 92,653</b>
Basic earnings per common share:			
Continuing operations	\$ 4.17	\$ 4.23	\$ 3.99
Discontinued operations	(0.04)	(0.07)	(0.01)
Net earnings	\$ 4.13	\$ 4.16	\$ 3.98
Diluted earnings per common share:			
Continuing operations	\$ 4.15	\$ 4.19	\$ 3.94
Discontinued operations	(0.04)	(0.07)	(0.02)
Net earnings	\$ 4.11	\$ 4.12	\$ 3.92

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

**Genesco Inc.  
and Subsidiaries**  
Consolidated Statements of Comprehensive Income  
In Thousands, except as noted

	Fiscal Year		
	2016	2015	2014
Net earnings	\$ 94,569	\$ 97,725	\$ 92,653
Other comprehensive income (loss):			
Pension liability adjustment net of tax of \$6.3 million, \$4.0 million and \$6.2 million for 2016, 2015 and 2014, respectively	9,756	(6,343)	9,510
Postretirement liability adjustment net of tax of \$0.4 million, \$0.4 million and \$0.3 million in 2016, 2015 and 2014, respectively	666	(644)	(542)
Foreign currency translation adjustments	(12,459)	(16,822)	2,506
Total other comprehensive (loss) income	(2,037)	(23,809)	11,474
<b>Comprehensive Income</b>	<b>\$ 92,532</b>	<b>\$ 73,916</b>	<b>\$ 104,127</b>

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

**Genesco Inc.  
and Subsidiaries**  
Consolidated Statements of Cash Flows  
In Thousands

	Fiscal Year		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings	\$ 94,569	\$ 97,725	\$ 92,653
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	79,011	74,326	67,135
Amortization of deferred note expense and debt discount	820	692	801
Deferred income taxes	(2,125)	5,212	14,983
Provision for (recoveries on) accounts receivable	637	390	(525)
Indemnification asset write-off	—	7,050	—
Impairment of long-lived assets	3,125	1,890	2,347
Restricted stock expense	13,758	13,392	12,295
Provision for discontinued operations	1,333	2,711	543
Gain on sale of Lids Team Sports	(4,685)	—	—
Tax benefit of stock options and restricted stock	(150)	(3,061)	(3,784)
Other	3,708	894	1,301
Effect on cash from changes in working capital and other assets and liabilities, net of acquisitions/dispositions:			
Accounts receivable	(6,669)	(1,325)	(3,684)
Inventories	27,827	(30,955)	(58,386)
Prepays and other current assets	(8,879)	179	(8,885)
Accounts payable	2,505	27,646	19,850
Other accrued liabilities	(70,890)	52,694	(10,093)
Other assets and liabilities	11,223	(59,696)	13,448
Net cash provided by operating activities	145,118	189,764	139,999
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(100,652)	(103,111)	(98,456)
Acquisitions, net of cash acquired	(35,063)	(34,918)	(13,567)
Proceeds from asset sales and sale of business	59,915	336	75
Net cash used in investing activities	(75,800)	(137,693)	(111,948)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payments of long-term debt	(24,920)	(31,583)	(6,428)
Proceeds from issuance of long-term debt	27,417	26,253	15,124
Borrowings under revolving credit facility	401,276	280,950	402,200
Payments on revolving credit facility	(311,067)	(280,950)	(429,900)
Tax benefit of stock options and restricted stock	150	3,061	3,784
Shares repurchased	(137,648)	(4,635)	(20,676)
Change in overdraft balances	(600)	3,489	6,025
Redemption of preferred shares	—	—	(1,462)
Dividends paid on non-redeemable preferred stock	—	—	(33)
Additions to deferred note cost	(655)	—	—
Exercise of stock options	1,442	2,009	3,230
Other	(2,950)	(43)	(1,790)
Net cash used in financing activities	(47,555)	(1,449)	(29,926)
Effect of foreign exchange rate fluctuations on cash	(1,342)	2,798	1,527
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>20,421</b>	<b>53,420</b>	<b>(348)</b>
Cash and cash equivalents at beginning of period	112,867	59,447	59,795
<b>Cash and cash equivalents at end of period</b>	<b>\$ 133,288</b>	<b>\$ 112,867</b>	<b>\$ 59,447</b>
Net cash paid for:			
Interest	\$ 3,408	\$ 2,632	\$ 3,769
Income taxes	58,940	42,816	52,618

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



**Genesco Inc.  
and Subsidiaries**  
Consolidated Statements of Equity

In Thousands	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Non Controlling Interest Non-Redeemable	Total Equity
Balance February 2, 2013	\$ 3,924	\$ 24,485	\$ 170,360	\$ 669,189	\$ (28,241)	\$ (17,857)	\$ 1,927	\$ 823,787
Net earnings	—	—	—	92,653	—	—	—	92,653
Other comprehensive income	—	—	—	—	11,474	—	—	11,474
Dividends paid on non-redeemable preferred stock	—	—	—	(33)	—	—	—	(33)
Exercise of stock options	—	130	2,904	—	—	—	—	3,034
Issue shares – Employee Stock Purchase Plan	—	3	193	—	—	—	—	196
Employee and non-employee restricted stock	—	—	12,295	—	—	—	—	12,295
Restricted stock issuance	—	214	(214)	—	—	—	—	—
Restricted shares withheld for taxes	—	(105)	105	(6,938)	—	—	—	(6,938)
Tax benefit of stock options and restricted stock exercised	—	—	3,784	—	—	—	—	3,784
Shares repurchased	—	(338)	—	(20,338)	—	—	—	(20,676)
Redemption of preferred shares	(1,462)	—	—	—	—	—	—	(1,462)
Other	(1,157)	19	1,141	—	—	—	—	3
Noncontrolling interest – gain	—	—	—	—	—	—	6	6
Balance February 1, 2014	1,305	24,408	190,568	734,533	(16,767)	(17,857)	1,933	918,123
Net earnings	—	—	—	97,725	—	—	—	97,725
Other comprehensive loss	—	—	—	—	(23,809)	—	—	(23,809)
Exercise of stock options	—	69	1,749	—	—	—	—	1,818
Issue shares – Employee Stock Purchase Plan	—	3	188	—	—	—	—	191
Employee and non-employee restricted stock	—	—	13,392	—	—	—	—	13,392
Restricted stock issuance	—	202	(202)	—	—	—	—	—
Restricted shares withheld for taxes	—	(88)	88	(7,125)	—	—	—	(7,125)
Tax benefit of stock options and restricted stock exercised	—	—	3,061	—	—	—	—	3,061
Shares repurchased	—	(65)	—	(4,570)	—	—	—	(4,635)
Other	(31)	(14)	44	—	—	—	—	(1)
Noncontrolling interest – gain	—	—	—	—	—	—	37	37
Balance January 31, 2015	1,274	24,515	208,888	820,563	(40,576)	(17,857)	1,970	998,777
Net earnings	—	—	—	94,569	—	—	—	94,569
Other comprehensive loss	—	—	—	—	(2,037)	—	—	(2,037)
Exercise of stock options	—	35	1,273	—	—	—	—	1,308
Issue shares – Employee Stock Purchase Plan	—	3	131	—	—	—	—	134
Employee and non-employee restricted stock	—	—	13,758	—	—	—	—	13,758
Restricted stock issuance	—	239	(239)	—	—	—	—	—
Restricted shares withheld for taxes	—	(66)	66	(4,408)	—	—	—	(4,408)
Tax benefit of stock options and restricted stock exercised	—	—	(90)	—	—	—	—	(90)
Shares repurchased	—	(2,383)	—	(142,502)	—	—	—	(144,885)
Other	(197)	(20)	217	—	—	—	—	—
Noncontrolling interest – loss	—	—	—	—	—	—	(343)	(343)
<b>Balance January 30, 2016</b>	<b>\$ 1,077</b>	<b>\$ 22,323</b>	<b>\$ 224,004</b>	<b>\$ 768,222</b>	<b>\$ (42,613)</b>	<b>\$ (17,857)</b>	<b>\$ 1,627</b>	<b>\$ 956,783</b>

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

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 1****Summary of Significant Accounting Policies*****Nature of Operations***

Genesco Inc. and its subsidiaries (collectively the "Company") business includes the design and sourcing, marketing and distribution of footwear and accessories through retail stores in the U.S., Puerto Rico and Canada primarily under the Journeys, Journeys Kidz, Shi by Journeys, Little Burgundy, Underground by Journeys and Johnston & Murphy banners and under the Schuh banner in the United Kingdom, the Republic of Ireland and Germany; through e-commerce websites including journeys.com, journeysskidz.com, shibyjourneys.com, schuh.co.uk, littleburgundyshoes.com, johnstonmurphy.com and trask.com and catalogs, and at wholesale, primarily under the Company's Johnston & Murphy brand, the Trask brand, the licensed Dockers brand and other brands that the Company licenses for footwear, and the Company's SureGrip<sup>®</sup> line of slip-resistant, occupational footwear. The Company's business also includes Lids Sports Group, which operates headwear and accessory stores in the U.S. and Canada primarily under the Lids, Hat World and Hat Shack banners; the Lids Locker Room and Lids Clubhouse businesses, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, operating under various trade names; licensed team merchandise departments in Macy's department stores operated under the name of Locker Room by Lids and on macys.com, under a license agreement with Macy's; and certain e-commerce operations including lids.com, lids.ca, lidslockerroom.com, lidsclubhouse.com and shop.neweracap.com. Including both the footwear businesses and the Lids Sports Group business, at January 30, 2016, the Company operated 2,852 retail stores and leased departments in the U.S., Puerto Rico, Canada, the United Kingdom, the Republic of Ireland and Germany.

During Fiscal 2016, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys, Little Burgundy and Underground by Journeys retail footwear chains, e-commerce operations and catalog; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised as described in the preceding paragraph plus an athletic team dealer business operating as Lids Team Sports which was sold in the fourth quarter of Fiscal 2016; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce operations, catalog and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers<sup>®</sup> Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip<sup>®</sup> Footwear, occupational footwear primarily sold directly to consumers; and other brands.

***Principles of Consolidation***

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

***Fiscal Year***

The Company's fiscal year ends on the Saturday closest to January 31. As a result, Fiscal 2016 was a 52-week year with 364 days, Fiscal 2015 was a 52-week year with 364 days and Fiscal 2014 was a 52-week year with 364 days. Fiscal 2016 ended on January 30, 2016, Fiscal 2015 ended on January 31, 2015 and Fiscal 2014 ended on February 1, 2014.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 1**  
**Summary of Significant Accounting Policies, Continued**

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring management estimates or judgments include the following key financial areas:

***Inventory Valuation***

The Company values its inventories at the lower of cost or market.

In its footwear wholesale operations and its Schuh Group segment, cost is determined using the FIFO method. Market value is determined using a system of analysis which evaluates inventory at the stock number level based on factors such as inventory turn, average selling price, inventory level, and selling prices reflected in future orders for footwear wholesale. The Company provides reserves when the inventory has not been marked down to market value based on current selling prices or when the inventory is not turning and is not expected to turn at levels satisfactory to the Company.

The Lids Sports Group segment employs the moving average cost method for valuing inventories and applies freight using an allocation method. The Company provides a valuation allowance for slow-moving inventory based on negative margins and estimated shrink based on historical experience and specific analysis, where appropriate.

In its retail operations, other than the Schuh Group and Lids Sports Group segments, the Company employs the retail inventory method, applying average cost-to-retail ratios to the retail value of inventories. Under the retail inventory method, valuing inventory at the lower of cost or market is achieved as markdowns are taken or accrued as a reduction of the retail value of inventories.

Inherent in the retail inventory method are subjective judgments and estimates, including merchandise mark-on, markups, markdowns, and shrinkage. These judgments and estimates, coupled with the fact that the retail inventory method is an averaging process, could produce a range of cost figures. To reduce the risk of inaccuracy and to ensure consistent presentation, the Company employs the retail inventory method in multiple subclasses of inventory with similar gross margins, and analyzes markdown requirements at the stock number level based on factors such as inventory turn, average selling price, and inventory age. In addition, the Company accrues markdowns as necessary. These additional markdown accruals reflect all of the above factors as well as current agreements to return products to vendors and vendor agreements to provide markdown support. In addition to markdown provisions, the Company maintains provisions for shrinkage and damaged goods based on historical rates.

**Note 1**  
**Summary of Significant Accounting Policies, Continued**

Inherent in the analysis of both wholesale and retail inventory valuation are subjective judgments about current market conditions, fashion trends, and overall economic conditions. Failure to make appropriate conclusions regarding these factors may result in an overstatement or understatement of inventory value.

*Impairment of Long-Lived Assets*

The Company periodically assesses the realizability of its long-lived assets, other than goodwill, 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 the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement or understatement of the value of long-lived assets. See also Notes 3 and 5.

The goodwill impairment test involves performing a qualitative assessment, on a reporting unit level, based on current circumstances. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a two-step impairment test will not be performed. However, if the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step impairment test is performed. Alternatively, the Company may elect to bypass the qualitative assessment and proceed directly to the two-step impairment test, on a reporting unit level. The first step is a comparison of the fair value and carrying value of the business unit with which the goodwill is associated. The Company estimates fair value using the best information available, and computes the fair value derived by an income approach utilizing discounted cash flow projections. The income approach uses a projection of a reporting unit's estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. A key assumption in the Company's fair value estimate is the weighted average cost of capital utilized for discounting its cash flow projections in its income approach. The Company believes the rate it used in its latest annual test, which was completed at the end of the fourth quarter, was consistent with the risks inherent in its business and with industry discount rates. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements.

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, the Company would allocate the fair value of the reporting unit to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill.



**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 1**  
**Summary of Significant Accounting Policies, Continued**

If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

*Environmental and Other Contingencies*

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters. The Company has made pretax accruals for certain of these contingencies, including approximately \$0.8 million in Fiscal 2016, \$2.8 million in Fiscal 2015 and \$0.5 million in Fiscal 2014. These charges are included in provision for discontinued operations, net in the Consolidated Statements of Operations because they relate to former facilities operated by the Company. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's accruals, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its accrued liability in relation to each proceeding is a best estimate of probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional provisions, that some or all liabilities will be adequate or that the amounts of any such additional provisions or any such inadequacy will not have a material adverse effect upon the Company's financial condition, cash flows, or results of operations. See also Notes 3 and 13.

*Revenue Recognition*

Retail sales are recorded at the point of sale and are net of estimated returns and exclude sales and value added taxes. Catalog and internet sales are recorded at estimated time of delivery to the customer and are net of estimated returns and exclude sales and value added taxes. Wholesale revenue is recorded net of estimated returns and allowances for markdowns, damages and miscellaneous claims when the related goods have been shipped and legal title has passed to the customer. Shipping and handling costs charged to customers are included in net sales. Estimated returns are based on historical returns and claims. Actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

*Income Taxes*

As part of the process of preparing the Consolidated Financial Statements, the Company is required to estimate its income taxes in each of the tax jurisdictions in which it operates. This process involves estimating actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. These temporary differences result in deferred tax assets and liabilities, which are included within the Consolidated Balance Sheets. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income or other sources. Actual results could differ from this assessment if adequate taxable income is not

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 1**  
**Summary of Significant Accounting Policies, Continued**

generated in future periods. To the extent the Company believes that recovery of an asset is at risk, valuation allowances are established. To the extent valuation allowances are established or increased in a period, the Company includes an expense within the tax provision in the Consolidated Statements of Operations. These deferred tax valuation allowances may be released in future years when management considers that it is more likely than not that some portion or all of the deferred tax assets will be realized. In making such a determination, management will need to periodically evaluate whether or not all available evidence, such as future taxable income and reversal of temporary differences, tax planning strategies, and recent results of operations, provides sufficient positive evidence to offset any potential negative evidence that may exist at such time. In the event the deferred tax valuation allowance is released, the Company would record an income tax benefit for the portion or all of the deferred tax valuation allowance released. At January 30, 2016, the Company had a deferred tax valuation allowance of \$3.4 million.

Income tax reserves for uncertain tax positions are determined using the methodology required by the Income Tax Topic of the Accounting Standards Codification ("Codification"). This methodology requires companies to assess each income tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company's determinations and estimates prove to be inaccurate, the resulting adjustments could be material to its future financial results.

The Company recorded an effective income tax rate of 37.1% for Fiscal 2016 compared to 36.7% for Fiscal 2015 and 41.5% for Fiscal 2014. The effective tax rate for Fiscal 2016 benefited from increased foreign earnings and lowering of foreign tax rates combined with a release of \$1.3 million in valuation allowance on foreign net operating losses no longer required. The tax rate for Fiscal 2015 was lower than Fiscal 2014 primarily due to a \$7.0 million reversal of charges previously recorded related to formerly uncertain tax positions that were recorded by Schuh at the time of the purchase by the Company, which were favorably resolved during Fiscal 2015. Related to the same uncertain tax position, the Company wrote off a \$7.1 million indemnification asset during Fiscal 2015.

*Postretirement Benefits Plan Accounting*

Full-time employees who had at least 1000 hours of service in calendar year 2004, except employees in the Lids Sports Group and Schuh Group segments, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 1**  
**Summary of Significant Accounting Policies, Continued**

As required by the Compensation – Retirement Benefits Topic of the Codification, the Company is required to recognize the overfunded or underfunded status of postretirement benefit plans as an asset or liability, respectively, in their Consolidated Balance Sheets and to recognize changes in that funded status in accumulated other comprehensive loss, net of tax, in the year in which the changes occur.

The Company recognizes pension expense on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

The Company utilizes a calculated value of assets, which is an averaging method that recognizes changes in the fair values of assets over a period of five years. Accounting principles generally accepted in the United States require that the Company recognize a portion of these losses when they exceed a calculated threshold. These losses might be recognized as a component of pension expense in future years and would be amortized over the average future service of employees, which is currently approximately nine years.

***Cash and Cash Equivalents***

The Company had total available cash and cash equivalents of \$133.3 million and \$112.9 million as of January 30, 2016 and January 31, 2015, respectively, of which approximately \$24.1 million and \$25.2 million was held by the Company's foreign subsidiaries as of January 30, 2016 and January 31, 2015, respectively. The Company's strategic plan does not require the repatriation of foreign cash in order to fund its operations in the U.S., and it is the Company's current intention to permanently reinvest its foreign cash and cash equivalents outside of the U.S. If the Company were to repatriate foreign cash to the U.S., it would be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations as a result of the repatriation. There were no cash equivalents included in cash and cash equivalents at January 30, 2016 and January 31, 2015. Cash equivalents are highly-liquid financial instruments having an original maturity of three months or less.

At January 30, 2016, substantially all of the Company's domestic cash was invested in deposit accounts at FDIC-insured banks. The majority of payments due from banks for domestic customer credit card transactions process within 24 - 48 hours and are accordingly classified as cash and cash equivalents in the Consolidated Balance Sheets.

At January 30, 2016 and January 31, 2015, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately \$45.0 million and \$45.6 million, respectively. These amounts are included in accounts payable in the Consolidated Balance Sheets.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 1**  
**Summary of Significant Accounting Policies, Continued**

***Concentration of Credit Risk and Allowances on Accounts Receivable***

The Company's footwear wholesale businesses sell primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Customer credit risk is affected by conditions or occurrences within the economy and the retail industry as well as by customer specific factors. In the footwear wholesale businesses, one customer accounted for 9% of the Company's total trade receivables balance and two other customers each accounted for 8% of the Company's total trade receivables balance, while all other customers accounted for 7% or less of the Company's total trade receivables balance as of January 30, 2016.

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information, as well as customer specific factors. The Company also establishes allowances for sales returns, customer deductions and co-op advertising based on specific circumstances, historical trends and projected probable outcomes.

***Property and Equipment***

Property and equipment are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method over the following estimated useful lives:

Buildings and building equipment	20-45 years
Computer hardware, software and equipment	3-10 years
Furniture and fixtures	10 years

Depreciation expense related to property and equipment was approximately \$76.2 million, \$71.0 million and \$63.9 million for Fiscal 2016, 2015 and 2014, respectively.

***Leases***

Leasehold improvements and properties under capital leases are amortized on the straight-line method over the shorter of their useful lives or their related lease terms and the charge to earnings is included in selling and administrative expenses in the Consolidated Statements of Operations.

Certain leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expense on a straight-line basis over the term of the lease (which includes any rent holidays and the pre-opening period of construction, renovation, fixturing and merchandise placement) and records the difference between the amounts charged to operations and amounts paid as deferred rent.

The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The reimbursements are amortized as a reduction of rent expense over the initial lease term.

**Note 1**

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

### **Summary of Significant Accounting Policies, Continued**

The Consolidated Balance Sheets include asset retirement obligations related to leases of \$10.6 million and \$9.8 million as of January 30, 2016 and January 31, 2015, respectively.

#### ***Acquisitions***

Acquisitions are accounted for using the Business Combinations Topic of the Codification. The total purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values at acquisition.

#### ***Goodwill and Other Intangibles***

Under the provisions of the Intangibles – Goodwill and Other Topic of the Codification, goodwill and intangible assets with indefinite lives are not amortized, but are tested at least annually for impairment. The Company will update the tests between annual tests if events or circumstances occur that would more likely than not reduce the fair value of the business unit with which the goodwill is associated below its carrying amount. It is also required that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with the Property, Plant and Equipment Topic of the Codification.

Intangible assets of the Company with indefinite lives are primarily goodwill and identifiable trademarks acquired in connection with the acquisition of Little Burgundy in December 2015, Schuh Group Ltd. in June 2011, Hat World Corporation in April 2004 and various other small acquisitions. The Consolidated Balance Sheets include goodwill of \$180.9 million for the Lids Sports Group, \$90.3 million for the Schuh Group, \$9.4 million for Journeys Group and \$0.8 million for Licensed Brands at January 30, 2016, and \$200.1 million for the Lids Sports Group, \$96.0 million for the Schuh Group and \$0.8 million for Licensed Brands at January 31, 2015. The Company tests for impairment of intangible assets with an indefinite life, relying on a number of factors including operating results, business plans, projected future cash flows and observable market data. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount. The Company has not recorded an impairment charge for intangible assets.

In connection with acquisitions, the Company records goodwill on its Consolidated Balance Sheets. This asset is not amortized but is subject to an impairment test at least annually, based on projected future cash flows from the acquired business discounted at a rate commensurate with the risk the Company considers to be inherent in its current business model. The Company performs the impairment test annually as of the close of its fiscal year, or more frequently if events or circumstances indicate that the value of the asset might be impaired. The Company has not recorded an impairment charge for goodwill.

Identifiable intangible assets of the Company with finite lives are trademarks, customer lists, in-place leases, non-compete agreements and a vendor contract. They are subject to amortization based upon their estimated useful lives. Finite-lived intangible assets are evaluated for impairment using a process

#### **Note 1**

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Summary of Significant Accounting Policies, Continued**

similar to that used to evaluate other definite-lived long-lived assets, a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

***Fair Value of Financial Instruments***

The carrying amounts and fair values of the Company's financial instruments at January 30, 2016 and January 31, 2015 are:

In thousands	January 30, 2016		January 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
U.S. Revolver Borrowings	\$ 58,344	\$ 58,480	\$ —	\$ —
UK Term Loans	28,896	28,901	29,155	29,126
UK Revolver Borrowings	24,818	24,630	—	—

Debt fair values were determined using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments and would be classified in Level 2 as defined in Note 5.

Carrying amounts reported on the Consolidated Balance Sheets for cash, cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturity of these instruments.

***Cost of Sales***

For the Company's retail operations, the cost of sales includes actual product cost, the cost of transportation to the Company's warehouses from suppliers and the cost of transportation from the Company's warehouses to the stores. Additionally, the cost of its distribution facilities allocated to its retail operations is included in cost of sales.

For the Company's wholesale operations, the cost of sales includes the actual product cost and the cost of transportation to the Company's warehouses from suppliers.

***Selling and Administrative Expenses***

Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses in the amounts of \$9.6 million, \$9.1 million and \$8.7 million for Fiscal 2016, 2015 and 2014, respectively.

***EVA Incentive Plan***

Under the Company's EVA Incentive Plan, bonus awards in excess of a specified cap in any one year are retained and paid over three subsequent years, subject to reduction or elimination by deteriorating financial performance and historically were subject to forfeiture if the participant voluntarily resigns

**Note 1**

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

### **Summary of Significant Accounting Policies, Continued**

from employment with the Company. As a result, the bonus awards were subject to service conditions that resulted in recognition of expense over the period of service by the respective employee. During the first quarter of Fiscal 2015, the Company amended the plan to remove the future service requirement for the payment of the retained bonuses. As a result, the bonus expense that would have been deferred under the previous plan terms is now recognized in the first year of service. The Company recorded a \$5.7 million charge to earnings in the first quarter of Fiscal 2015 in connection with the amendment related to bonus amounts previously deferred to future years.

#### ***Gift Cards***

The Company has a gift card program that began in calendar 1999 for its Lids Sports Group operations and calendar 2000 for its footwear operations. The gift cards issued to date do not expire. As such, the Company recognizes income when: (i) the gift card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer for the purchase of goods in the future is remote and there are no related escheat laws (referred to as “breakage”). The gift card breakage rate is based upon historical redemption patterns and income is recognized for unredeemed gift cards in proportion to those historical redemption patterns.

Gift card breakage is recognized in revenues each period. Gift card breakage recognized as revenue was \$1.2 million, \$1.0 million and \$0.8 million for Fiscal 2016, 2015 and 2014, respectively. The Consolidated Balance Sheets include an accrued liability for gift cards of \$16.9 million and \$15.8 million at January 30, 2016 and January 31, 2015, respectively.

#### ***Buying, Merchandising and Occupancy Costs***

The Company records buying, merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company’s gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Retail occupancy costs recorded in selling and administrative expense were \$432.9 million, \$413.6 million and \$381.6 million for Fiscal 2016, 2015 and 2014, respectively.

#### ***Shipping and Handling Costs***

Shipping and handling costs related to inventory purchased from suppliers are included in the cost of inventory and are charged to cost of sales in the period that the inventory is sold. All other shipping and handling costs are charged to cost of sales in the period incurred except for wholesale and unallocated retail costs of distribution, which are included in selling and administrative expenses on the Consolidated Statements of Operations.

#### ***Preopening Costs***

Costs associated with the opening of new stores are expensed as incurred, and are included in selling and administrative expenses on the Consolidated Statements of Operations.

#### ***Store Closings and Exit Costs***

From time to time, the Company makes strategic decisions to close stores or exit locations or activities. Under the provisions of the Property, Plant, and Equipment Topic of the Codification, which the

#### **Note 1**

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

### **Summary of Significant Accounting Policies, Continued**

Company adopted in the first quarter of Fiscal 2015, the definition of a discontinued operation was amended. A discontinued operation may include a component of an entity or a group of components of an entity that represent a strategic shift that has or will have a major effect on an entity's operation or financial results. If stores or operating activities to be closed or exited constitute a component or group of components that represent a strategic shift in the Company's operations, these closures will be considered discontinued operations. The results of operations of discontinued operations are presented retroactively, net of tax, as a separate component on the Consolidated Statements of Operations. In each of the years presented, no store closings have met the discontinued operations criteria.

Assets related to planned store closures or other exit activities are reflected as assets held for sale and recorded at the lower of carrying value or fair value less costs to sell when the required criteria, as defined by the Property, Plant and Equipment Topic of the Codification, are satisfied. Depreciation ceases on the date that the held for sale criteria are met.

Assets related to planned store closures or other exit activities that do not meet the criteria to be classified as held for sale are evaluated for impairment in accordance with the Company's normal impairment policy, but with consideration given to revised estimates of future cash flows. In any event, the remaining depreciable useful lives are evaluated and adjusted as necessary.

Exit costs related to anticipated lease termination costs, severance benefits and other expected charges are accrued for and recognized in accordance with the Exit or Disposal Cost Obligations Topic of the Codification.

#### ***Advertising Costs***

Advertising costs are predominantly expensed as incurred. Advertising costs were \$73.7 million, \$67.0 million and \$56.9 million for Fiscal 2016, 2015 and 2014, respectively. Direct response advertising costs for catalogs are capitalized in accordance with the Other Assets and Deferred Costs Topic for Capitalized Advertising Costs of the Codification. Such costs are amortized over the estimated future period as revenues are realized from such advertising, not to exceed six months. The Consolidated Balance Sheets include prepaid assets for direct response advertising costs of \$2.0 million at January 30, 2016 and \$2.3 million at January 31, 2015.

#### ***Consideration to Resellers***

In its wholesale businesses, the Company does not have any written buy-down programs with retailers, but the Company has provided certain retailers with markdown allowances for obsolete and slow moving products that are in the retailer's inventory. The Company estimates these allowances and provides for them as reductions to revenues at the time revenues are recorded. Markdowns are negotiated with retailers and changes are made to the estimates as agreements are reached. Actual amounts for markdowns have not differed materially from estimates.

### **Note 1**



## **Summary of Significant Accounting Policies, Continued**

### ***Cooperative Advertising***

Cooperative advertising funds are made available to most of the Company's wholesale footwear customers. In order for retailers to receive reimbursement under such programs, the retailer must meet specified advertising guidelines and provide appropriate documentation of expenses to be reimbursed. The Company's cooperative advertising agreements require that wholesale customers present documentation or other evidence of specific advertisements or display materials used for the Company's products by submitting the actual print advertisements presented in catalogs, newspaper inserts or other advertising circulars, or by permitting physical inspection of displays. Additionally, the Company's cooperative advertising agreements require that the amount of reimbursement requested for such advertising or materials be supported by invoices or other evidence of the actual costs incurred by the retailer. The Company accounts for these cooperative advertising costs as selling and administrative expenses, in accordance with the Revenue Recognition Topic for Customer Payments and Incentives of the Codification.

Cooperative advertising costs recognized in selling and administrative expenses were \$3.4 million, \$3.3 million and \$3.2 million for Fiscal 2016, 2015 and 2014, respectively. During Fiscal 2016, 2015 and 2014, the Company's cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

### ***Vendor Allowances***

From time to time, the Company negotiates allowances from its vendors for markdowns taken or expected to be taken. These markdowns are typically negotiated on specific merchandise and for specific amounts. These specific allowances are recognized as a reduction in cost of sales in the period in which the markdowns are taken. Markdown allowances not attached to specific inventory on hand or already sold are applied to concurrent or future purchases from each respective vendor.

The Company receives support from some of its vendors in the form of reimbursements for cooperative advertising and catalog costs for the launch and promotion of certain products. The reimbursements are agreed upon with vendors and represent specific, incremental, identifiable costs incurred by the Company in selling the vendor's specific products. Such costs and the related reimbursements are accumulated and monitored on an individual vendor basis, pursuant to the respective cooperative advertising agreements with vendors. Such cooperative advertising reimbursements are recorded as a reduction of selling and administrative expenses in the same period in which the associated expense is incurred. If the amount of cash consideration received exceeds the costs being reimbursed, such excess amount would be recorded as a reduction of cost of sales.

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were \$6.4 million, \$4.1 million and \$2.8 million for Fiscal 2016, 2015 and 2014, respectively. During Fiscal 2016, 2015 and 2014, the Company's cooperative advertising reimbursements received were not in excess of the costs incurred.

## **Note 1**

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

## **Summary of Significant Accounting Policies, Continued**

### ***Earnings Per Common Share***

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock (see Note 11).

### ***Foreign Currency Translation***

The functional currency of the Company's foreign operations is the applicable local currency. The translation of the applicable foreign currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date. Income and expense accounts are translated at monthly average exchange rates. The unearned gains and losses resulting from such translation are included as a separate component of accumulated other comprehensive loss within shareholders' equity. Gains and losses from certain foreign currency transactions are reported as an item of income and resulted in a net loss of \$2.7 million, \$2.4 million and \$2.7 million for Fiscal 2016, 2015 and 2014, respectively.

### ***Share-Based Compensation***

The Company has share-based compensation covering certain members of management and non-employee directors. The Company recognizes compensation expense for share-based payments based on the fair value of the awards as required by the Compensation - Stock Compensation Topic of the Codification. The Company has not granted any stock options since the first quarter of Fiscal 2008.

The fair value of employee restricted stock is determined based on the closing price of the Company's stock on the date of grant. The benefits of tax deductions in excess of recognized compensation expense are reported as a financing cash flow (see Note 12).

### ***Other Comprehensive Income***

The Comprehensive Income Topic of the Codification requires, among other things, the Company's pension liability adjustment, postretirement liability adjustment and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at January 30, 2016 consisted of \$13.0 million of cumulative pension liability adjustment, net of tax, a cumulative post retirement liability adjustment of \$0.9 million, net of tax, and a cumulative foreign currency translation adjustment of \$28.7 million.

## **Note 1**

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Summary of Significant Accounting Policies, Continued**

The following table summarizes the components of accumulated other comprehensive loss for the year ended January 30, 2016:

	Foreign Currency Translation	Unrecognized Pension/Postretirement Benefit Costs	Total Accumulated Other Comprehensive Income (Loss)
<b>(In thousands)</b>			
Balance January 31, 2015	\$ (16,247)	\$ (24,329)	\$ (40,576)
Other comprehensive income (loss) before reclassifications:			
Foreign currency translation adjustment	(9,875)	—	(9,875)
Loss on intra-entity foreign currency transactions (long-term investment nature)	(2,584)	—	(2,584)
Net actuarial loss	—	12,065	12,065
Amounts reclassified from AOCI:			
Amortization of net actuarial loss (1)	—	5,137	5,137
Amortization reclassified from AOCI, before tax	—	5,137	5,137
Income tax expense	—	6,780	6,780
Current period other comprehensive income (loss), net of tax	(12,459)	10,422	(2,037)
<b>Balance January 30, 2016</b>	<b>\$ (28,706)</b>	<b>\$ (13,907)</b>	<b>\$ (42,613)</b>

(1) Amount is included in net periodic benefit cost, which is recorded in selling and administrative expense on the Consolidated Statements of Operations.

***Business Segments***

The Segment Reporting Topic of the Codification requires that companies disclose “operating segments” based on the way management disaggregates the Company’s operations for making internal operating decisions (see Note 14).

***New Accounting Principles***

In February 2016, the FASB issued ASU 2016-02, "Leases". The standard's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which would be the beginning of our Fiscal 2020 or February 2019. Early adoption is permitted. The Company is currently assessing the impact the adoption of ASU 2016-02 will have on its Consolidated Financial Statements and related disclosures and is expecting a material impact because the Company is party to a significant number of lease contracts.

**Note 1**

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

### **Summary of Significant Accounting Policies, Continued**

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes". ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and may be applied either prospectively or retrospectively. Early adoption is permitted. As of January 30, 2016, the Company has \$29.0 million of current deferred tax assets that will be reclassified to noncurrent deferred tax assets on its Consolidated Balance Sheets. The change to noncurrent classification could have a significant impact on our working capital. The Company is currently assessing which transition method will be adopted.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs". In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements". ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03 or ASU 2015-15. These ASU's are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early adoption permitted. ASU 2015-03 will require the Company to reclassify its deferred financing costs associated with its long-term debt from other noncurrent assets to long-term debt on a retrospective basis. The Company does not expect the new standards to impact the Company's results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and merges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. ASU 2014-09 was originally effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, however, in August 2015, the FASB deferred this ASU for one year, which would be the beginning of our Fiscal 2019 or February 2018. The amendment is to be applied either retrospectively to each prior reporting period presented or with the cumulative effect recognized at the date of initial adoption as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets on the balance sheet). Early adoption is not permitted. The Company is currently assessing the impact the adoption of ASU 2014-09 will have on its Consolidated Financial Statements and related disclosures, including which transition method will be adopted.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 2****Acquisitions, Intangible Assets and Sale of Business****Acquisitions**

During Fiscal 2016, the Company completed the acquisition of Little Burgundy, a small retail footwear chain in Canada for a total purchase price of \$35.1 million. The stores acquired are operated within the Journeys Group. During Fiscal 2015, the Company completed acquisitions of primarily small retail chains and one small wholesale business for a total purchase price of \$34.9 million. In Fiscal 2014, the Company completed other acquisitions of primarily small retail chains for a total purchase price of \$13.6 million. The stores acquired in Fiscal 2015 and 2014 are operated within the Lids Sports Group. The wholesale business acquired in Fiscal 2015 was operated within Lids Team Sports which was sold January 19, 2016.

**Other Intangible Assets**

Other intangibles by major classes were as follows:

In thousands	Leases		Customer Lists		Other*		Total	
	Jan. 30, 2016	Jan. 31, 2015	Jan. 30, 2016	Jan. 31, 2015	Jan. 30, 2016	Jan. 31, 2015	Jan. 30, 2016	Jan. 31, 2015
Gross other intangibles	\$ 14,841	\$ 13,616	\$ 2,622	\$ 18,244	\$ 2,053	\$ 3,114	\$ 19,516	\$ 34,974
Accumulated amortization	(12,637)	(12,301)	(2,264)	(9,424)	(1,046)	(1,664)	(15,947)	(23,389)
<b>Net Other Intangibles</b>	<b>\$ 2,204</b>	<b>\$ 1,315</b>	<b>\$ 358</b>	<b>\$ 8,820</b>	<b>\$ 1,007</b>	<b>\$ 1,450</b>	<b>\$ 3,569</b>	<b>\$ 11,585</b>

\*Includes non-compete agreements, vendor contract and backlog.

The amortization of intangibles, including trademarks, was \$2.9 million, \$3.3 million and \$3.2 million for Fiscal 2016, 2015 and 2014, respectively. The amortization of intangibles, including trademarks, will be \$0.9 million, \$0.2 million, \$0.2 million, \$0.1 million and \$0.1 million for Fiscal 2017, 2018, 2019, 2020 and 2021, respectively.

**Sale of Business**

On January 19, 2016, the Company completed the sale of the assets of the Lids Team Sports business, which has operated within its Lids Sports Group segment, to BSN Sports, LLC. The Company recognized a gain on the sale estimated at \$(4.7) million, net of transaction-related expenses before tax. The results of operations for Lids Team Sports is not a strategic shift that will have a major effect on operations and financial results, and therefore this business has not been presented as a discontinued operation in the Company's Consolidated Financial Statements.

Pursuant to the purchase agreement, on March 18, 2016, the buyer submitted a proposed adjustment of \$2.4 million to the purchase price based upon a final calculation of certain working capital items as of the closing date. The Company is reviewing the proposed adjustment and the adjustment is reflected in the Consolidated Financial Statements as having occurred in the fourth quarter of Fiscal 2016.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 3**  
**Asset Impairments and Other Charges and Discontinued Operations**

Asset Impairments and Other Charges

In accordance with Company policy, assets are determined to be impaired when the revised estimated future cash flows are insufficient to recover the carrying costs. Impairment charges represent the excess of the carrying value over the estimated fair value of those assets.

Asset impairment charges are reflected as a reduction of the net carrying value of property and equipment, and in asset impairment and other, net in the accompanying Consolidated Statements of Operations.

The Company recorded a pretax charge to earnings of \$7.9 million in Fiscal 2016, including \$3.1 million for retail store asset impairments, \$2.5 million for asset write-downs, \$2.2 million for network intrusion expenses and \$0.1 million for other legal matters.

The Company recorded a pretax charge to earnings of \$2.3 million in Fiscal 2015, including \$3.1 million for network intrusion expenses, \$1.9 million for retail store asset impairments and \$0.7 million for other legal matters, partially offset by a \$(3.4) million gain on a lease termination of a Lids store.

The Company recorded a pretax charge to earnings of \$1.3 million in Fiscal 2014, including \$3.3 million for network intrusion expenses, \$2.4 million for other legal matters, \$2.3 million for retail store asset impairments and \$1.6 million for a lease termination, partially offset by an \$(8.3) million gain on the lease termination of a New York City Journeys store.

Discontinued Operations

In Fiscal 2016, Fiscal 2015 and Fiscal 2014, the Company recorded an additional charge to earnings of \$1.3 million (\$0.8 million net of tax), \$2.7 million (\$1.6 million net of tax) and \$0.5 million (\$0.3 million net of tax), respectively, reflected in discontinued operations, primarily for anticipated costs of environmental remedial alternatives related to former facilities operated by the Company (see Note 13).

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 3**  
**Asset Impairments and Other Charges and Discontinued Operations, Continued**

**Accrued Provision for Discontinued Operations**

<b>In thousands</b>		<b>Facility Shutdown Costs</b>
Balance February 2, 2013	\$	11,351
Additional provision Fiscal 2014		543
Charges and adjustments, net		(519)
Balance February 1, 2014		11,375
Additional provision Fiscal 2015		2,711
Charges and adjustments, net		673
Balance January 31, 2015		14,759
Additional provision Fiscal 2016		1,333
Charges and adjustments, net		(473)
Balance January 30, 2016*		15,619
<b>Current provision for discontinued operations</b>		<b>11,389</b>
<b>Total Noncurrent Provision for Discontinued Operations</b>	<b>\$</b>	<b>4,230</b>

\*Includes a \$14.5 million environmental provision, including \$10.9 million in current provision for discontinued operations.

**Note 4**  
**Inventories**

<b>In thousands</b>		<b>January 30, 2016</b>		<b>January 31, 2015</b>
Raw materials	\$	469	\$	32,941
Wholesale finished goods		58,773		65,785
Retail merchandise		470,516		499,419
<b>Total Inventories</b>	<b>\$</b>	<b>529,758</b>	<b>\$</b>	<b>598,145</b>

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 5****Fair Value**

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

*Level 1* - Quoted prices in active markets for identical assets or liabilities.

*Level 2* - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table presents the Company's assets and liabilities measured at fair value on a nonrecurring basis as of January 30, 2016 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Long-Lived Assets Held and Used	Level 1	Level 2	Level 3	Impairment Charges
Measured as of May 2, 2015	\$ 67	\$ —	\$ —	\$ 67	\$ 766
Measured as of August 1, 2015	632	—	—	632	931
Measured as of October 31, 2015	200	—	—	200	90
Measured as of January 30, 2016	538	—	—	538	1,338
<b>Total Asset Impairment Fiscal 2016</b>				<b>\$</b>	<b>3,125</b>

In accordance with the Property, Plant and Equipment Topic of the Codification, the Company recorded \$3.1 million of impairment charges as a result of the fair value measurement of its long-lived assets held and used and tested on a nonrecurring basis during the twelve months ended January 30, 2016. These charges are reflected in asset impairments and other, net on the Consolidated Statements of Operations.

The Company used a discounted cash flow model to estimate the fair value of these long-lived assets. Discount rate and growth rate assumptions are derived from current economic conditions, expectations of management and projected trends of current operating results. As a result, the Company has determined that the majority of the inputs used to value its long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.



**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 6**  
**Long-Term Debt**

<u>In thousands</u>	<b>January 30, 2016</b>	January 31, 2015
Revolver borrowings	\$ 58,344	\$ —
UK term loans	28,896	29,155
UK revolver borrowings	24,818	—
Total long-term debt	<b>112,058</b>	29,155
Current portion	<b>14,182</b>	13,152
<b>Total Noncurrent Portion of Long-Term Debt</b>	<b>\$ 97,876</b>	<b>\$ 16,003</b>

Long-term debt maturing during each of the next five years ending in January each year is \$14.2 million, \$3.2 million, \$60.1 million, \$34.6 million and \$0.0 million, respectively.

The Company had \$58.3 million of revolver borrowings outstanding under the Credit Facility at January 30, 2016, which includes \$22.1 million (£15.6 million) related to Genesco (UK) Limited and \$36.2 million (C\$51.0 million) related to GCO Canada, and had \$28.9 million (£20.4 million) in term loans outstanding and \$24.8 million (£17.5 million) in revolver loans outstanding under the U.K. Credit Facilities (described below) at January 30, 2016. The Company had outstanding letters of credit of \$13.5 million under the Credit Facility at January 30, 2016. These letters of credit support product purchases and lease and insurance indemnifications.

***Credit Facility:***

On December 4, 2015, the Company entered into the First Amendment to the Third Amended and Restated Credit Agreement, dated as of January 31, 2014 (the "Credit Facility") by and among the Company, certain subsidiaries of the Company party thereto, as other borrowers, the lenders party thereto and Bank of America, N.A., as agent (the "Agent"). The Credit Facility provides revolving credit in the aggregate principal amount of \$400.0 million and replaces the previous \$375.0 million revolving credit facility. The Credit Facility expires January 31, 2019.

Deferred financing costs incurred of \$1.6 million related to the Credit Facility were capitalized and are being amortized over five years. In addition, the remaining deferred financing costs of \$1.5 million related to the previous amendment are being amortized over five years. These costs are included in other non-current assets on the Consolidated Balance Sheets.

The material terms of the Credit Facility are as follows:

***Availability***

The Credit Facility is a revolving credit facility in the aggregate principal amount of \$400.0 million, including a \$70.0 million sublimit for the issuance of letters of credit and a domestic swingline subfacility of up to \$40.0 million, a revolving credit subfacility for the benefit of GCO Canada, Inc. in an aggregate amount not to exceed \$70.0 million, which includes a \$5.0 million sublimit for the issuance of letters of credit, and revolving credit subfacility for the benefit of Genesco (UK) Limited in an aggregate

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 6****Long-Term Debt, Continued**

amount not to exceed \$50.0 million, which includes a \$10.0 million sublimit for the issuance of letters of credit and a swingline subfacility of up to \$10.0 million. Any swingline loans and any letters of credit and borrowings under the Canadian facilities and UK facilities will reduce the availability under the Credit Facility on a dollar-for-dollar basis.

The Company has the option, from time to time, to increase the availability under the Credit Facility by an aggregate amount of up to \$150.0 million subject to, among other things, the receipt of commitments for the increased amount. In connection with this increased facility, the Canadian revolving credit facility may be increased up to no more than \$85.0 million.

Genesco (UK) Limited has a one-time option to increase the availability of its subfacility under the Credit Facility by an additional amount of up to \$50.0 million.

The aggregate amount of the loans made and letters of credit issued under the Credit Facility shall at no time exceed the lesser of the facility amount (\$400.0 million or, if increased as described above, up to \$550.0 million or \$600.0 million, respectively) or the "Borrowing Base", which generally is based on 90% of eligible inventory plus 85% of eligible wholesale receivables plus 90% of eligible credit card and debit card receivables less applicable reserves (the "Loan Cap"). The relevant assets of Genesco (UK) Limited will be included in the Borrowing Base if the additional \$50.0 million sublimit increase is exercised, provided that amounts borrowed by Genesco (UK) Limited based solely on its own borrowing base will be limited to \$50.0 million and the total outstanding to Genesco (UK) Limited will not exceed 30% of the Loan Cap.

The Credit Facility also provides that a first-in, last-out tranche could be added to the revolving credit facility at the option of the Company subject to, among other things, the receipt of commitments for such tranche.

**Collateral**

The loans and other obligations under the Credit Facility are secured by a perfected first priority lien and security interest in all tangible and intangible assets and excludes real estate and leaseholds of the Company and certain subsidiaries of the Company, including a pledge of 65% of the Company's interest in Genesco (UK) Limited. The assets of Genesco (UK) Limited will not be pledged as collateral unless the additional \$50.0 million sublimit increase is exercised and once pledged, will only serve to secure the obligations of GCO Canada, Inc. and Genesco (UK) Limited and their respective subsidiaries.

**Interest and Fees**

The Company's borrowings under the Credit Facility bear interest at varying rates that, at the Company's option, can be based on:

**Domestic Facility:**

- (a) adjusted LIBOR plus the applicable margin (as defined and based on average Excess Availability during the prior quarter), or
- (b) the domestic Base Rate (defined as the higher of (i) the Bank of America prime rate, (ii) the federal funds rate plus 0.50% or
- (iii) LIBOR for an interest period of thirty days plus 1.0%) plus the applicable margin.

**Note 6**

**Long-Term Debt, Continued**

Canadian Sub-Facility:

(a) For loans made in Canadian dollars, the bankers' acceptances ("BA") rate plus the applicable margin, or (b) the Canadian Prime Rate (defined as the highest of the (i) Bank of America Canadian Prime Rate, (ii) the Bank of America (Canada Branch) overnight rate plus 0.50%, and (iii) the BA rate for a one month interest period plus 1.0%) plus the applicable margin.

(a) For loans made in U.S. dollars, LIBOR plus the applicable margin, or (b) the U.S. Index Rate (defined as the highest of the (i) Bank of America (Canada branch) U.S. dollar base rate, (ii) the Federal Funds rate plus 0.50%, and (iii) LIBOR for an interest period of thirty days plus 1.0%) plus the applicable margin.

UK Sub-Facility:

adjusted LIBOR plus the applicable margin, plus any mandating cost, if applicable

Swingline Loans:

Domestic swingline loans - domestic Base Rate plus the applicable margin.

UK swingline loans - UK Base Rate (being the "base rate" of the local Bank of America branch in the jurisdiction of the currency chosen) plus the applicable margin.

The initial applicable margin for Base Rate loans and U.S. Index rate loans and Canadian Prime Rate loans was 0.50% and the initial applicable margin for LIBOR loans, BA equivalent loans and UK swingline loans was 1.50%. Thereafter, the applicable margin is subject to adjustment based on "Excess Availability" for the prior quarter. The term "Excess Availability" means, as of any given date, the excess (if any) of the Loan Cap (being the lesser of the total commitments and the Borrowing Base) over the outstanding credit extensions under the Credit Facility.

Interest on the Company's borrowings is payable monthly in arrears for domestic Base Rate loans (including domestic swingline loans), U.S. Index rate loans, Canadian Prime Rate loans and UK swingline loans and at the end of each interest rate period (but not less often than quarterly) for LIBOR loans and BA equivalent loans.

The Company is also required to pay a commitment fee on the actual daily unused portions of the Credit Facility at a rate of 0.25% per annum.

Currency

Loans to GCO Canada, Inc. may be made in U.S. dollars or Canadian dollars. Loans to Genesco (UK) Limited may be made in U.S. dollars, Euros, Pounds Sterling or any other freely transferable currencies approved by the Agent and applicable lenders.

Certain Covenants

The Company is not required to comply with any financial covenants unless Excess Availability is less than the greater of \$25.0 million or 10.0% of the Loan Cap. If and during such time as Excess Availability is less than the greater of \$25.0 million or 10.0% of the Loan Cap, the Credit Facility requires the

## Note 6

### Long-Term Debt, Continued

Company to meet a minimum fixed charge coverage ratio of (a) an amount equal to consolidated EBITDA less capital expenditures and taxes paid in cash, in each case for such period, to (b) fixed charges for such period, of not less than 1.0:1.0. Excess Availability was \$279.3 million at January 30, 2016. Because Excess Availability exceeded \$25.0 million or 10.0% of the Loan Cap, the Company was not required to comply with this financial covenant at January 30, 2016.

The Credit Facility also permits the Company to incur up to \$500.0 million of senior debt provided that certain terms and conditions are met.

In addition, the Credit Facility contains certain covenants that, among other things, restrict additional indebtedness, liens and encumbrances, loans and investments, acquisitions, dividends and other restricted payments, transactions with affiliates, asset dispositions, mergers and consolidations, prepayments or material amendments of other indebtedness and other matters customarily restricted in such agreements.

#### Cash Dominion

The Credit Facility also contains cash dominion provisions that apply in the event that the Company's Excess Availability is less than the greater of \$30.0 million or 12.5% of the Loan Cap or there is an event of default under the Credit Facility.

#### Events of Default

The Credit Facility contains customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to certain other material indebtedness in excess of specified amounts and to agreements which would have a material adverse effect if breached, certain events of bankruptcy and insolvency, certain ERISA events, judgments in excess of specified amounts and change in control.

Certain of the lenders under the Credit Facility or their affiliates have provided and may in the future provide certain commercial banking, financial advisory, and investment banking services in the ordinary course of business for the Company, its subsidiaries and certain of its affiliates, for which they receive customary fees and commissions.

#### U.K. Credit Facility

In May 2015, Schuh Group Limited entered into a Form of Amended and Restated Facilities Agreement and Working Capital Facility Letter ("UK Credit Facilities") which replaced the former A, B and C term loans with a new Facility A of £17.5 million and a Facility B of £11.6 million (which was the former Facility C loan) as well as provided an additional revolving credit facility, Facility C, of £22.5 million and a working capital facility of £2.5 million. The Facility A loan bears interest at LIBOR plus 1.8% per annum with quarterly payments through April 2017. The Facility B loan bears interest at LIBOR plus 2.5% per annum with quarterly payments through September 2019. The Facility C bears interest at LIBOR plus 2.2% per annum and expires in September 2019.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 6****Long-Term Debt, Continued**

The UK Credit Facilities contain certain covenants at the Schuh level including a minimum interest coverage covenant of 4.50x and thereafter, a maximum leverage covenant initially set at 2.25x declining over time at various rates to 1.75x beginning in April 2017 and a minimum cash flow coverage of 1.00x. The Company was in compliance with all the covenants at January 30, 2016. The UK Credit Facilities are secured by a pledge of all the assets of Schuh and its subsidiaries.

**Note 7****Commitments Under Long-Term Leases*****Operating Leases***

The Company leases its office space and all of its retail store locations, certain distribution centers and transportation equipment under various noncancelable operating leases. The leases have varying terms and expire at various dates through 2030. The store leases in the United States, Puerto Rico and Canada typically have initial terms of approximately 10 years. The stores leases in the United Kingdom, the Republic of Ireland and Germany typically have initial terms of between 10 and 20 years. Generally, most of the leases require the Company to pay taxes, insurance, maintenance costs and contingent rentals based on sales. Approximately 2% of the Company's leases contain renewal options.

Rental expense under operating leases of continuing operations was:

<i>In thousands</i>	2016	2015	2014
Minimum rentals	\$ 255,083	\$ 250,077	\$ 227,880
Contingent rentals	11,044	9,217	9,667
Sublease rentals	(825)	(852)	(663)
<b>Total Rental Expense</b>	<b>\$ 265,302</b>	<b>\$ 258,442</b>	<b>\$ 236,884</b>

Minimum rental commitments payable in future years are:

<i>Fiscal Years</i>	<i>In thousands</i>
	2017 \$ 238,660
	2018 209,050
	2019 178,094
	2020 156,260
	2021 139,402
Later years	376,436
<b>Total Minimum Rental Commitments</b>	<b>\$ 1,297,902</b>

For leases that contain predetermined fixed escalations of the minimum rentals, the related rental expense is recognized on a straight-line basis and the cumulative expense recognized on the straight-line basis in excess of the cumulative payments is included in deferred rent and other long-term liabilities on the Consolidated Balance Sheets. The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 7****Commitments Under Long-Term Leases, Continued**

reimbursements are recorded as deferred rent and amortized as a reduction of rent expense over the initial lease term. Tenant allowances of \$25.4 million and \$23.5 million for Fiscal 2016 and 2015, respectively, and deferred rent of \$48.0 million and \$45.0 million for Fiscal 2016 and 2015, respectively, are included in deferred rent and other long-term liabilities on the Consolidated Balance Sheets.

**Note 8****Equity*****Non-Redeemable Preferred Stock***

Class (In order of preference)*	Shares Authorized	Number of Shares			Amounts in Thousands			Common Convertible Ratio	No. of Votes per share
		2016	2015	2014	2016	2015	2014		
Subordinated Serial Preferred (Cumulative)									
Aggregate	3,000,000 **	—	—	—	—	—	—	N/A	N/A
\$2.30 Series 1	64,368	—	—	—	\$ —	\$ —	\$ —	.83	1
\$4.75 Series 3	40,449	—	—	—	—	—	—	2.11	2
\$4.75 Series 4	53,764	—	—	—	—	—	—	1.52	1
Series 6	800,000	—	—	—	—	—	—		100
\$1.50 Subordinated Cumulative Preferred	5,000,000	—	—	—	—	—	—		1
Employees' Subordinated Convertible Preferred	5,000,000	<b>38,196</b>	44,836	46,069	<b>1,146</b>	1,345	1,382	1.00 ***	1
Stated Value of Issued Shares					<b>1,146</b>	1,345	1,382		
Employees' Preferred Stock Purchase Accounts					<b>(69)</b>	(71)	(77)		
<b>Total Non-Redeemable Preferred Stock</b>					<b>\$ 1,077</b>	<b>\$ 1,274</b>	<b>\$ 1,305</b>		

\* In order of preference for liquidation and dividends.

\*\* The Company's charter permits the Board of Directors to issue Subordinated Serial Preferred Stock in as many series, each with as many shares and such rights and preferences as the board may designate.

\*\*\* Also convertible into one share of \$1.50 Subordinated Cumulative Preferred Stock.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 8**  
**Equity, Continued**

***Preferred Stock Transactions***

In thousands	Non-Redeemable Preferred Stock	Non-Redeemable Employees' Preferred Stock	Employees' Preferred Stock Purchase Accounts	Total Non-Redeemable Preferred Stock
Balance February 2, 2013	\$ 2,615	\$ 1,405	\$ (96)	\$ 3,924
Preferred stock redemptions	(1,462)	—	—	(1,462)
Other stock conversions	(1,153)	(23)	19	(1,157)
Balance February 1, 2014	—	1,382	(77)	1,305
Other stock conversions	—	(37)	6	(31)
Balance January 31, 2015	—	1,345	(71)	1,274
Other stock conversions	—	(199)	2	(197)
<b>Balance January 30, 2016</b>	<b>\$ —</b>	<b>\$ 1,146</b>	<b>(69)</b>	<b>\$ 1,077</b>

***Subordinated Serial Preferred Stock (Cumulative):***

The Company issued a notice of mandatory redemption effective April 30, 2013, to its holders of Subordinated Serial Preferred Stock \$2.30 Series 1, \$4.75 Series 3 and \$4.75 Series 4 during the first quarter of Fiscal 2014. The Series 1 preferred stock was redeemed at \$40 per share plus accumulated dividends. During Fiscal 2014, 13,713 shares of Series 1 preferred stock were converted to common stock and 2,490 shares of Series 1 preferred stock were redeemed. The Series 3 and 4 preferred stocks were redeemed at \$100 per share plus accumulated dividends. During Fiscal 2014, 6,046 shares of Series 3 preferred stock were converted to common stock and 1,352 shares of Series 3 preferred stock were redeemed. During Fiscal 2014, 3,247 shares of Series 4 preferred stock were redeemed. The total cost of the redemption for Series 1, 3 and 4 preferred stock was \$0.6 million in Fiscal 2014.

The Company's shareholders' rights plan grants to common shareholders the right to purchase, at a specified exercise price, a fraction of a share of subordinated serial preferred stock, Series 6, in the event of an acquisition of, or an announced tender offer for, 15% or more of the Company's outstanding common stock. Upon any such event, each right also entitles the holder (other than the person making such acquisition or tender offer) to purchase, at the exercise price, shares of common stock having a market value of twice the exercise price. In the event the Company is acquired in a transaction in which the Company is not the surviving corporation, each right would entitle its holder to purchase, at the exercise price, shares of the acquiring company having a market value of twice the exercise price. The rights expire in March 2020, are redeemable under certain circumstances for \$.01 per right and are subject to exchange for one share of common stock or an equivalent amount of preferred stock at any time after the event that makes the rights exercisable and before a majority of the Company's common stock is acquired.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 8**  
**Equity, Continued**

***\$1.50 Subordinated Cumulative Preferred Stock:***

The Company issued a notice of mandatory redemption effective April 30, 2013, to its holders of \$1.50 Subordinated Cumulative Preferred Stock during the first quarter of Fiscal 2014. The \$1.50 Subordinated Cumulative Preferred Stock was redeemed at \$30 per share plus accumulated dividends. During Fiscal 2014, 30,067 shares of \$1.50 Subordinated Cumulative Preferred Stock were redeemed. The total cost of the redemption for the \$1.50 Subordinated Cumulative Preferred Stock was \$0.9 million in Fiscal 2014.

***Employees' Subordinated Convertible Preferred Stock:***

Stated and liquidation values are 88 times the average quarterly per share dividend paid on common stock for the previous eight quarters (if any), but in no event less than \$30 per share.

***Common Stock:***

Common stock-\$1 par value. Authorized: 80,000,000 shares; issued: January 30, 2016 – 22,322,799 shares; January 31, 2015 – 24,515,362 shares. There were 488,464 shares held in treasury at January 30, 2016 and January 31, 2015. Each outstanding share is entitled to one vote. At January 30, 2016, common shares were reserved as follows: 38,196 shares for conversion of preferred stock; 26,696 shares

for the 2005 Stock Incentive Plan; 473,092 shares for the 2009 Amended and Restated Stock Incentive Plan; and 305,134 shares for the Genesco Employee Stock Purchase Plan, as amended (the "ESPP"), which was terminated December 31, 2015. The remaining securities for the ESPP were removed from registration by means of a post-effective amendment filed in March 2016.

For the year ended January 30, 2016, 35,542 shares of common stock were issued for the exercise of stock options at an average weighted exercise price of \$36.81, for a total of \$1.3 million; 219,404 shares of common stock were issued as restricted shares as part of the Amended and Restated 2009 Genesco Inc. Equity Incentive Plan (the "2009 Plan"); 2,470 shares of common stock were issued for the purchase of shares under the ESPP at an average weighted market price of \$54.22, for a total of \$0.1 million; 19,769 shares were issued to directors for no consideration; 65,783 shares were withheld for taxes on restricted stock vested in Fiscal 2016; 27,221 shares of restricted stock were forfeited in Fiscal 2016; and 6,640 shares were issued in miscellaneous conversions of Employees' Subordinated Convertible Preferred Stock. In addition, the Company repurchased and retired 2,383,384 shares of common stock at an average weighted market price of \$60.79 for a total of \$144.9 million.

For the year ended January 31, 2015, 68,616 shares of common stock were issued for the exercise of stock options at an average weighted exercise price of \$26.49, for a total of \$1.8 million; 185,416 shares of common stock were issued as restricted shares as part of the 2009 Plan; 2,688 shares of common stock were issued for the purchase of shares under the ESPP at an average weighted market price of \$71.01, for a total of \$0.2 million; 16,396 shares were issued to directors for no consideration; 88,003 shares were withheld for taxes on restricted stock vested in Fiscal 2015; 13,999 shares of restricted stock were forfeited in Fiscal 2015; and 1,233 shares were issued in miscellaneous conversions of Employees' Subordinated Convertible Preferred



**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 8**  
**Equity, Continued**

Stock. In addition, the Company repurchased and retired 64,709 shares of common stock at an average weighted market price of \$71.63 for a total of \$4.6 million.

For the year ended February 1, 2014, 130,051 shares of common stock were issued for the exercise of stock options at an average weighted exercise price of \$23.33, for a total of \$3.0 million; 199,392 shares of common stock were issued as restricted shares as part of the 2009 Plan; 3,146 shares of common stock were issued for the purchase of shares under the ESPP at an average weighted market price of \$62.30, for a total of \$0.2 million; 14,435 shares were issued to directors for no consideration; 105,193 shares were withheld for taxes on restricted stock vested in Fiscal 2014; 6,279 shares of restricted stock were forfeited in Fiscal 2014; and 24,922 shares were issued in miscellaneous conversions of Series 1, 3, and Employees' Subordinated Convertible Preferred Stock. In addition, the Company repurchased and retired 337,665 shares of common stock at an average weighted market price of \$61.23 for a total of \$20.7 million.

***Restrictions on Dividends and Redemptions of Capital Stock:***

The Company's charter provides that no dividends may be paid and no shares of capital stock acquired for value if there are dividend or redemption arrearages on any senior or equally ranked stock. Exchanges of subordinated serial preferred stock for common stock or other stock junior to such exchanged stock are permitted.

The Company's Credit Facility prohibits the payment of dividends and other restricted payments unless as of the date of the making of any Restricted Payment or consummation of any Acquisition, (a) no Default or Event of Default exists or would arise after giving effect to such Restricted Payment or Acquisition, and (b) either (i) the Borrowers have pro forma projected Excess Availability for the following six month period equal to or greater than 25% of the Loan Cap, after giving pro forma effect to such Restricted Payment or Acquisition, or (ii) (A) the Borrowers have pro forma projected Excess Availability for the following six month period of less than 25% of the Loan Cap but equal to or greater than 15% of the Loan Cap, after giving pro forma effect to the Restricted Payment or Acquisition, and (B) the Fixed Charge Coverage Ratio, on a pro forma basis for the twelve months preceding such Restricted Payment or Acquisition, will be equal to or greater than 1.0:1.0, and (c) after giving effect to such Restricted Payment or Acquisition, the Borrowers are Solvent. The Company's management does not expect availability under the Credit Facility to fall below the requirements listed above during Fiscal 2016. The Company's UK Credit Facility prohibits the payment of any dividends by Schuh or its subsidiaries to the Company.

The Company issued a mandatory notice of redemption effective April 30, 2013, to its holders of 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 during the first quarter of Fiscal 2014. The total cost of the redemption was \$1.5 million. As a result, all of these preferred issues of stock were either converted to common stock or redeemed in Fiscal 2014, and there are no outstanding shares remaining. Therefore, there is no longer an annual dividend requirement. Dividends paid during Fiscal 2014 were less than \$0.1 million.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 8**  
**Equity, Continued**

**Changes in the Shares of the Company's Capital Stock**

	<b>Common Stock</b>	<b>Non- Redeemable Preferred Stock</b>	<b>Employees' Preferred Stock</b>
Issued at February 2, 2013	24,484,915	56,915	46,852
Exercise of options	130,051	—	—
Issue restricted stock	213,827	—	—
Issue shares—Employee Stock Purchase Plan	3,146	—	—
Shares repurchased	(337,665)	—	—
Other	(86,550)	(56,915)	(783)
Issued at February 1, 2014	24,407,724	—	46,069
Exercise of options	68,616	—	—
Issue restricted stock	185,416	—	—
Issue shares—Employee Stock Purchase Plan	2,688	—	—
Shares repurchased	(64,709)	—	—
Other	(84,373)	—	(1,233)
Issued at January 31, 2015	24,515,362	—	44,836
Exercise of options	35,542	—	—
Issue restricted stock	219,404	—	—
Issue shares—Employee Stock Purchase Plan	2,470	—	—
Shares repurchased	(2,383,384)	—	—
Other	(66,595)	—	(6,640)
Issued at January 30, 2016	22,322,799	—	38,196
Less shares repurchased and held in treasury	488,464	—	—
<b>Outstanding at January 30, 2016</b>	<b>21,834,335</b>	<b>—</b>	<b>38,196</b>

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 9**  
**Income Taxes**

The components of earnings from continuing operations before income taxes is comprised of the following:

In thousands	2016	2015	2014
United States	\$ 136,178	\$ 150,682	\$ 152,832
Foreign	15,355	6,307	6,028
<b>Total Earnings from Continuing Operations before Income Taxes</b>	<b>\$ 151,533</b>	<b>\$ 156,989</b>	<b>\$ 158,860</b>

Income tax expense from continuing operations is comprised of the following:

In thousands	2016	2015	2014
<b>Current</b>			
U.S. federal	\$ 46,515	\$ 43,146	\$ 35,463
International	3,542	292	7,293
State	8,220	8,966	8,139
<b>Total Current Income Tax Expense</b>	<b>58,277</b>	52,404	50,895
<b>Deferred</b>			
U.S. federal	(1,249)	4,422	14,078
International	868	636	(1,813)
State	(1,744)	154	2,718
<b>Total Deferred Income Tax Expense (Benefit)</b>	<b>(2,125)</b>	5,212	14,983
<b>Total Income Tax Expense – Continuing Operations</b>	<b>\$ 56,152</b>	<b>\$ 57,616</b>	<b>\$ 65,878</b>

Discontinued operations were recorded net of income tax expense (benefit) of approximately \$(0.5) million, \$(1.1) million and \$(0.2) million in Fiscal 2016, 2015 and 2014, respectively.

As a result of the exercise of stock options and vesting of restricted stock during Fiscal 2016, 2015 and 2014, the Company realized an additional income tax benefit of approximately \$0.2 million, \$3.1 million and \$3.8 million, respectively. These tax benefits are reflected as an adjustment to additional paid-in capital.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 9**  
**Income Taxes, Continued**

Deferred tax assets and liabilities are comprised of the following:

<b>In thousands</b>	<b>January 30, 2016</b>	<b>January 31, 2015</b>
Identified intangibles	\$ (29,763)	\$ (30,923)
Prepays	(3,390)	(3,135)
Convertible bonds	(1,799)	(2,402)
Tax over book depreciation	—	(2,028)
<b>Total deferred tax liabilities</b>	<b>(34,952)</b>	<b>(38,488)</b>
Options	101	229
Deferred rent	5,119	4,494
Pensions	4,409	9,721
Expense accruals	9,577	14,185
Uniform capitalization costs	14,644	14,369
Book over tax depreciation	9,778	—
Provisions for discontinued operations and restructurings	6,111	5,983
Inventory valuation	3,954	3,816
Tax net operating loss and credit carryforwards	2,493	2,030
Allowances for bad debts and notes	378	711
Deferred compensation and restricted stock	6,706	6,933
Other	3,825	4,853
<b>Gross deferred tax assets</b>	<b>67,095</b>	<b>67,324</b>
Deferred tax asset valuation allowance	(3,352)	(4,411)
<b>Deferred tax asset net of valuation allowance</b>	<b>63,743</b>	<b>62,913</b>
<b>Net Deferred Tax Assets</b>	<b>\$ 28,791</b>	<b>\$ 24,425</b>

The deferred tax balances have been classified in the Consolidated Balance Sheets as follows:

	<b>2016</b>	<b>2015</b>
Net current asset	\$ 28,965	\$ 28,293
Net non-current asset	959	31
Net non-current liability	(1,133)	(3,899)
<b>Net Deferred Tax Assets</b>	<b>\$ 28,791</b>	<b>\$ 24,425</b>

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 9**  
**Income Taxes, Continued**

Reconciliation of the United States federal statutory rate to the Company's effective tax rate from continuing operations is as follows:

	2016	2015	2014
U. S. federal statutory rate of tax	35.00 %	35.00 %	35.00 %
State taxes (net of federal tax benefit)	2.82	3.80	4.62
Foreign rate differential	(2.60)	(1.56)	(1.24)
Change in valuation allowance	(0.58)	0.57	0.05
Permanent items	2.19	2.13	2.18
Uncertain federal, state and foreign tax positions	1.23	(3.06)	0.21
Other	(1.00)	(0.18)	0.65
<b>Effective Tax Rate</b>	<b>37.06 %</b>	<b>36.70 %</b>	<b>41.47 %</b>

The provision for income taxes resulted in an effective tax rate for continuing operations of 37.06% for Fiscal 2016, compared with an effective tax rate of 36.70% for Fiscal 2015. The tax rate for Fiscal 2016 was higher primarily due to the reversal of previously recorded charges related to formerly uncertain tax positions that were taken by Schuh at the time of the purchase by the Company which the Company resolved favorably during the third quarter of Fiscal 2015.

As of January 30, 2016, January 31, 2015 and February 1, 2014, the Company had a federal net operating loss carryforward, which was assumed in one of the prior year acquisitions, of \$1.0 million, \$1.2 million and \$1.3 million, respectively, which expire in fiscal years 2025 through 2030.

As of January 30, 2016, January 31, 2015 and February 1, 2014, the Company had state net operating loss carryforwards of \$0.5 million, \$0.0 million and \$0.0 million, respectively, which expire in fiscal years 2019 through 2036.

As of January 30, 2016, January 31, 2015 and February 1, 2014, the Company had state tax credits of \$0.6 million, \$0.4 million and \$0.7 million, respectively. These credits expire in fiscal years 2017 through 2024.

As of January 30, 2016, January 31, 2015 and February 1, 2014, the Company had foreign net operating losses of \$7.4 million, \$6.8 million and \$7.5 million, respectively, which have no expiration.

As of January 30, 2016, the Company has provided a valuation allowance of approximately \$3.4 million on deferred tax assets associated primarily with foreign fixed assets for which management has determined it is more likely than not that the deferred tax assets will not be realized. The \$1.0 million net decrease in the valuation allowance during Fiscal 2016 from the \$4.4 million provided for as of January 31, 2015 relates to decreases of \$1.3 million in foreign net operating losses on which a valuation allowance is no longer required, partially offset by increases of \$0.3 million in fixed asset-related deferred tax assets that will more likely than not never be realized. Management believes that it is more likely than not that the remaining deferred tax assets will be fully realized.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 9**  
**Income Taxes, Continued**

As of January 30, 2016, the Company has not provided for withholding or United States federal income taxes on approximately \$47.1 million of accumulated undistributed earnings of its foreign subsidiaries as they are considered by management to be permanently reinvested. If these undistributed earnings were not considered to be permanently reinvested, the related U.S. tax liability may be reduced by foreign income taxes paid on those earnings. The determination of the amount of unrecognized deferred tax liability related to these temporary differences is not practicable at this time as this could be significantly impacted by the source location and amount of the distribution, the underlying tax rate already paid on the earnings, foreign withholding taxes and the opportunity to use foreign tax credits.

The methodology in the Income Tax Topic of the Codification prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold should be measured in order to determine the tax benefit to be recognized in the financial statements.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for Fiscal 2016, 2015 and 2014.

In thousands	2016	2015	2014
Unrecognized Tax Benefit – Beginning of Period	\$ 3,997	\$ 10,960	\$ 10,437
Gross Increases (Decreases) – Tax Positions in a Prior Period	9,328	231	139
Gross Increases (Decreases) – Tax Positions in a Current Period	1,403	(287)	1,452
Settlements	—	—	(340)
Lapse of Statutes of Limitations	(89)	(6,907)	(728)
<b>Unrecognized Tax Benefit – End of Period</b>	<b>\$ 14,639</b>	<b>\$ 3,997</b>	<b>\$ 10,960</b>

The amount of unrecognized tax benefits as of January 30, 2016, January 31, 2015 and February 1, 2014 which would impact the annual effective rate if recognized were \$3.9 million, \$2.7 million and \$1.3 million, respectively. The Company believes it is reasonably possible that there will be a \$9.4 million decrease in the gross tax liability for uncertain tax positions within the next 12 months based upon expected changes in tax accounting methods and the expiration of statutes of limitation.

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense on the Consolidated Statements of Operations. Related to the uncertain tax benefits noted above, the Company recorded interest and penalties of approximately \$0.6 million expense and \$0.0 million benefit, respectively, during Fiscal 2016, \$(0.1) million and \$0.0 million benefit, respectively, during Fiscal 2015 and \$(0.1) million and \$(0.1) million benefit, respectively, during Fiscal 2014. The Company recognized a liability for accrued interest and penalties of \$1.5 million and \$0.1 million, respectively, as of January 30, 2016, \$0.8 million and \$0.1 million, respectively, as of January 31, 2015 and \$0.9 million and \$0.1 million, respectively, as of February 1, 2014. The long-term portion of the unrecognized tax benefits and related accrued interest and penalties are included in deferred rent and other long-term liabilities on the Consolidated Balance Sheets.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 9**  
**Income Taxes, Continued**

Income tax reserves are determined using the methodology required by the Income Tax Topic of the Codification.

The Company and its subsidiaries file income tax returns in federal and in many state and local jurisdictions as well as foreign jurisdictions. With few exceptions, the Company's state and local income tax returns for fiscal years ended February 2, 2013 and beyond remain subject to examination. In addition, the Company has subsidiaries in various foreign jurisdictions that have statutes of limitation generally ranging from two to six years. The Company is currently under audit by the Internal Revenue Service for Fiscal 2013 and 2014.

**Note 10**  
**Defined Benefit Pension Plans and Other Postretirement Benefit Plans**

**Defined Benefit Pension Plans**

The Company previously sponsored a non-contributory, defined benefit pension plan. As of January 1, 1996, the Company amended the plan to change the pension benefit formula to a cash balance formula from the then existing benefit calculation based upon years of service and final average pay. The benefits accrued under the old formula were frozen as of December 31, 1995. Upon retirement, the participant will receive this accrued benefit payable as an annuity. In addition, the participant will receive as a lump sum (or annuity if desired) the amount credited to the participant's cash balance account under the new formula. Effective January 1, 2005, the Company froze the defined benefit cash balance plan which prevents any new entrants into the plan as of that date as well as affects the amounts credited to the participants' accounts as discussed below.

Under the cash balance formula, beginning January 1, 1996, the Company credits each participants' account annually with an amount equal to 4% of the participant's compensation plus 4% of the participant's compensation in excess of the Social Security taxable wage base. Beginning December 31, 1996 and annually thereafter, the account balance of each active participant was credited with 7% interest calculated on the sum of the balance as of the beginning of the plan year and 50% of the amounts credited to the account, other than interest, for the plan year. The account balance of each participant who was inactive would be credited with interest at the lesser of 7% or the 30 year Treasury rate. Under the frozen plan, each participants' cash balance plan account will be credited annually only with interest at the 30 year Treasury rate, not to exceed 7%, until the participant retires. The amount credited each year will be based on the rate at the end of the prior year.

**Other Postretirement Benefit Plans**

The Company provides health care benefits for early retirees and life insurance benefits for certain retirees not covered by collective bargaining agreements. Under the health care plan, early retirees are eligible for benefits until age 65. Employees who meet certain requirements are eligible for life insurance benefits upon retirement. The Company accrues such benefits during the period in which the employee renders service.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 10**  
**Defined Benefit Pension Plans and Other Postretirement Benefit Plans, Continued**

***Obligations and Funded Status***

**Change in Benefit Obligation**

<b>In thousands</b>	Pension Benefits		Other Benefits	
	<b>2016</b>	2015	<b>2016</b>	2015
Benefit obligation at beginning of year	\$ 125,764	\$ 111,133	\$ 6,886	\$ 5,714
Service cost	450	450	821	526
Interest cost	4,263	4,664	245	226
Plan participants' contributions	—	—	124	101
Benefits paid	(8,841)	(9,027)	(341)	(839)
Actuarial (gain) loss	(21,346)	18,544	(154)	1,158
<b>Benefit Obligation at End of Year</b>	<b>\$ 100,290</b>	<b>\$ 125,764</b>	<b>\$ 6,826</b>	<b>\$ 6,886</b>

**Change in Plan Assets**

<b>In thousands</b>	Pension Benefits		Other Benefits	
	<b>2016</b>	2015	<b>2016</b>	2015
Fair value of plan assets at beginning of year	\$ 103,580	\$ 101,910	—	—
Actual gain (loss) on plan assets	(4,406)	10,697	—	—
Employer contributions	—	—	217	738
Plan participants' contributions	—	—	124	101
Benefits paid	(8,841)	(9,027)	(341)	(839)
<b>Fair Value of Plan Assets at End of Year</b>	<b>\$ 90,333</b>	<b>\$ 103,580</b>	<b>—</b>	<b>—</b>
<b>Funded Status at End of Year</b>	<b>\$ (9,957)</b>	<b>\$ (22,184)</b>	<b>\$ (6,826)</b>	<b>\$ (6,886)</b>

Amounts recognized in the Consolidated Balance Sheets consist of:

<b>In thousands</b>	Pension Benefits		Other Benefits	
	<b>2016</b>	2015	<b>2016</b>	2015
Current liabilities	\$ —	\$ —	\$ (274)	\$ (247)
Noncurrent liabilities	(9,957)	(22,184)	(6,552)	(6,639)
<b>Net Amount Recognized</b>	<b>\$ (9,957)</b>	<b>\$ (22,184)</b>	<b>\$ (6,826)</b>	<b>\$ (6,886)</b>



**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 10**  
**Defined Benefit Pension Plans and Other Postretirement Benefit Plans, Continued**

Amounts recognized in accumulated other comprehensive income consist of:

<b>In thousands</b>	Pension Benefits			Other Benefits	
	2016	2015		2016	2015
Net loss	\$ 21,415	\$ 37,518		\$ 1,417	\$ 2,515
<b>Total Recognized in Accumulated Other Comprehensive Loss</b>	<b>\$ 21,415</b>	<b>\$ 37,518</b>		<b>\$ 1,417</b>	<b>\$ 2,515</b>

Amounts for projected and accumulated benefit obligation and fair value of plan assets are as follows:

<b>In thousands</b>	<b>January 30, 2016</b>	January 31, 2015
Projected benefit obligation	\$ 100,290	\$ 125,764
Accumulated benefit obligation	100,290	125,764
Fair value of plan assets	90,333	103,580

***Components of Net Periodic Benefit Cost***

**Net Periodic Benefit Cost**

<b>In thousands</b>	Pension Benefits			Other Benefits		
	2016	2015	2014	2016	2015	2014
Service cost	\$ 450	\$ 450	\$ 350	\$ 821	\$ 526	\$ 428
Interest cost	4,263	4,664	4,584	245	226	159
Expected return on plan assets	(5,785)	(6,069)	(6,654)	—	—	—
Amortization:						
Prior service cost	—	—	—	—	—	—
Losses	4,948	3,546	6,160	189	102	97
Net amortization	\$ 4,948	\$ 3,546	\$ 6,160	\$ 189	\$ 102	\$ 97
<b>Net Periodic Benefit Cost</b>	<b>\$ 3,876</b>	<b>\$ 2,591</b>	<b>\$ 4,440</b>	<b>\$ 1,255</b>	<b>\$ 854</b>	<b>\$ 684</b>

***Reconciliation of Accumulated Other Comprehensive Income***

<b>In thousands</b>	Pension Benefits	Other Benefits
	2016	2016
Net loss	\$ (11,155)	\$ (910)
Amortization of prior service cost	—	—
Amortization of net actuarial loss	(4,948)	(189)
<b>Total Recognized in Other Comprehensive Income</b>	<b>\$ (16,103)</b>	<b>\$ (1,099)</b>
<b>Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income</b>	<b>\$ (12,227)</b>	<b>\$ 156</b>

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 10**  
**Defined Benefit Pension Plans and Other Postretirement Benefit Plans, Continued**

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$0.9 million and \$0.0 million, respectively. The estimated net loss for the other postretirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$0.1 million.

***Weighted-average assumptions used to determine benefit obligations***

	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
Discount rate	<b>4.30%</b>	3.55%	<b>4.04%</b>	3.31%
Rate of compensation increase	<b>NA</b>	NA	—	—

For Fiscal 2016 and 2015, the discount rate was based on a yield curve of high quality corporate bonds with cash flows matching the Company's planned expected benefit payments.

***Weighted-average assumptions used to determine net periodic benefit costs***

	Pension Benefits			Other Benefits		
	2016	2015	2014	2016	2015	2014
Discount rate	<b>3.55%</b>	4.40%	4.00%	<b>3.31%</b>	4.40%	4.01%
Expected long-term rate of return on plan assets	<b>6.35%</b>	6.75%	7.75%	—	—	—
Rate of compensation increase	<b>NA</b>	NA	NA	—	—	—

The weighted average discount rate used to measure the benefit obligation for the pension plan increased from 3.55% to 4.30% from Fiscal 2015 to Fiscal 2016. The increase in the rate decreased the accumulated benefit obligation by \$7.5 million and decreased the projected benefit obligation by \$7.5 million. The weighted average discount rate used to measure the benefit obligation for the pension plan decreased from 4.40% to 3.55% from Fiscal 2014 to Fiscal 2015. The decrease in the rate increased the accumulated benefit obligation by \$11.4 million and increased the projected benefit obligation by \$11.4 million.

To develop the expected long-term rate of return on assets assumption, the Company considered historical asset returns, the current asset allocation and future expectations. Considering this information, the Company selected a 6.35% long-term rate of return on assets assumption.

***Assumed health care cost trend rates***

	2016	2015
Health care cost trend rate assumed for next year	7.5%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2021	2020

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 10**  
**Defined Benefit Pension Plans and Other Postretirement Benefit Plans, Continued**

The effect on disclosed information of one percentage point change in the assumed health care cost trend rate for each future year is shown below.

<b>In thousands</b>	1% Increase in Rates	1% Decrease in Rates
Aggregated service and interest cost	\$ 248	\$ 195
Accumulated postretirement benefit obligation	\$ 1,086	\$ 888

***Plan Assets***

The Company's pension plan weighted average asset allocations as of January 30, 2016 and January 31, 2015, by asset category are as follows:

<b>Asset Category</b>	Plan Assets	
	<b>January 30, 2016</b>	January 31, 2015
Equity securities	<b>64%</b>	63%
Debt securities	<b>36%</b>	37%
Total	<b>100%</b>	100%

The investment strategy of the trust is to ensure over the long-term an asset pool, that when combined with Company contributions, will support benefit obligations to participants, retirees and beneficiaries. Investment management responsibilities of plan assets are delegated to outside investment advisers and overseen by an Investment Committee comprised of members of the Company's senior management that are appointed by the Board of Directors. The Company has an investment policy that provides direction on the implementation of this strategy.

The investment policy establishes a target allocation for each asset class and investment manager. The actual asset allocation versus the established target is reviewed at least quarterly and is maintained within a +/- 5% range of the target asset allocation. Target allocations are 50% domestic equity, 13% international equity, 35% fixed income and 2% cash investments.

All investments are made solely in the interest of the participants and beneficiaries for the exclusive purposes of providing benefits to such participants and their beneficiaries and defraying the expenses related to administering the trust as determined by the Investment Committee. All assets shall be properly diversified to reduce the potential of a single security or single sector of securities having a disproportionate impact on the portfolio.

The Committee utilizes an outside investment consultant and investment managers to implement its various investment strategies. Performance of the managers is reviewed quarterly and the investment objectives are consistently evaluated.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 10**  
**Defined Benefit Pension Plans and Other Postretirement Benefit Plans, Continued**

At January 30, 2016 and January 31, 2015, there were no Company related assets in the plan. Generally, quoted market prices are used to value pension plan assets. Equities, some fixed income securities, publicly traded investment funds and U.S. government obligations are valued at the closing price reported on the active market on which the individual security is traded.

The following tables present the pension plan assets by level within the fair value hierarchy as of January 30, 2016 and January 31, 2015.

January 30, 2016 (In thousands)	Level 1	Level 2	Level 3	Total
Equity Securities:				
International securities	\$ 11,464	\$ —	\$ —	\$ 11,464
U.S. securities	46,012	—	—	46,012
Fixed Income Securities	32,573	—	—	32,573
Other:				
Cash Equivalents	291	—	—	291
Other (includes receivables and payables)	(7)	—	—	(7)
<b>Total Pension Plan Assets</b>	<b>\$ 90,333</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 90,333</b>

January 31, 2015 (In thousands)	Level 1	Level 2	Level 3	Total
Equity Securities:				
International securities	\$ 12,266	\$ —	\$ —	\$ 12,266
U.S. securities	53,074	—	—	53,074
Fixed Income Securities	38,034	—	—	38,034
Other:				
Cash Equivalents	232	—	—	232
Other (includes receivables and payables)	(26)	—	—	(26)
<b>Total Pension Plan Assets</b>	<b>\$ 103,580</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 103,580</b>

**Cash Flows**

**Return of Assets**

There was no return of assets from the plan to the Company in Fiscal 2016 and no plan assets are projected to be returned to the Company in Fiscal 2017.

**Contributions**

There was no Employee Retirement Income Security Act of 1974, as amended ("ERISA") cash requirement for the plan in 2015 and none is projected to be required in 2016. It is the Company's policy to contribute enough cash to maintain at least an 80% funding level.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 10**  
**Defined Benefit Pension Plans and Other Postretirement Benefit Plans, Continued**

**Estimated Future Benefit Payments**

Expected benefit payments from the trust, including future service and pay, are as follows:

Estimated future payments	Pension Benefits (\$ in millions)	Other Benefits (\$ in millions)
2016	\$ 8.2	\$ 0.3
2017	7.9	0.3
2018	7.8	0.3
2019	7.6	0.4
2020	7.5	0.4
2021 – 2025	34.1	1.9

**Section 401(k) Savings Plan**

The Company has a Section 401(k) Savings Plan available to employees who have completed one full year of service and are age 21 or older.

Since January 1, 2005, the Company has matched 100% of each employee's contribution of up to 3% of salary and 50% of the next 2% of salary. In addition, for those employees hired before December 31, 2004, who were eligible for the Company's cash balance retirement plan before it was frozen, the Company annually makes an additional contribution of 2 1/2 % of salary to each employee's account. In calendar 2005 and future years, participants are immediately vested in their contributions and the Company's matching contribution plus actual earnings thereon. The contribution expense to the Company for the matching program was approximately \$6.0 million for Fiscal 2016, \$5.5 million for Fiscal 2015 and \$5.0 million for Fiscal 2014.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 11**  
**Earnings Per Share**

(In thousands, except per share amounts)	For the Year Ended January 30, 2016			For the Year Ended January 31, 2015			For the Year Ended February 1, 2014		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	\$ 95,381			\$ 99,373			\$ 92,982		
Less: Preferred stock dividends and income from participating securities	—			—			(33)		
<b>Basic EPS from continuing operations</b>									
Income from continuing operations available to common shareholders	95,381	22,880	\$ 4.17	99,373	23,507	\$ 4.23	92,949	23,297	\$ 3.99
<b>Effect of Dilutive Securities from continuing operations</b>									
Options and restricted stock		76			155			272	
Employees' preferred stock <sup>(1)</sup>		44			46			46	
<b>Diluted EPS from continuing operations</b>									
Income from continuing operations available to common shareholders plus assumed conversions	\$ 95,381	23,000	\$ 4.15	\$ 99,373	23,708	\$ 4.19	\$ 92,949	23,615	\$ 3.94

(1) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

All outstanding options to purchase shares of common stock at the end of Fiscal 2016, 2015 and 2014 were included in the computation of diluted earnings per share because the impact of doing so was dilutive.

The weighted shares outstanding reflects the effect of the Company's Board-approved share repurchase program. The Company repurchased 2,383,384 shares at a cost of \$144.9 million during Fiscal 2016, of which \$7.2 million was not paid in the fourth quarter but included in other accrued liabilities in the Consolidated Balance Sheets. The Company has repurchased 663,200 shares in the first quarter of Fiscal 2017, through March 29, 2016, at a cost of \$43.2 million. The Company has \$40.9 million remaining as of March 29, 2016 under its current \$100.0 million share repurchase authorization. The Company repurchased 64,709 shares at a cost of \$4.6 million during Fiscal 2015. The Company repurchased 337,665 shares at a cost of \$20.7 million during Fiscal 2014.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 12**  
**Share-Based Compensation Plans**

The Company's stock-based compensation plans, as of January 30, 2016, are described below. The Company recognizes compensation expense for share-based payments based on the fair value of the awards as required by the Compensation – Stock Compensation Topic of the Codification.

***Stock Incentive Plans***

The Company has two stock incentive plans. Under the 2009 Plan, effective as of June 22, 2011, the Company may grant options, restricted shares, performance awards and other stock-based awards to its employees, consultants and directors for up to 2.5 million shares of common stock. Under the 2005 Equity Incentive Plan (the "2005 Plan"), effective as of June 23, 2005, the Company was permitted to grant options, restricted shares and other stock-based awards to its employees and consultants as well as directors for up to 2.5 million shares of common stock. There will be no future awards under the 2005 Equity Incentive Plan. Under both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Options granted under both plans primarily vest 25% per year over four years.

For Fiscal 2016, 2015 and 2014, the Company did not recognize any stock option related share-based compensation for its stock incentive plans as all such amounts were fully recognized in earlier periods. The Company did not capitalize any share-based compensation cost.

The Compensation—Stock Compensation Topic of the Codification requires that the cash flows resulting from tax benefits for tax deductions in excess of the compensation cost recognized for those options (excess tax benefit) be classified as financing cash flows. Accordingly, the Company classified excess tax benefits of \$0.2 million, \$3.1 million and \$3.8 million as financing cash inflows rather than as operating cash inflows on its Consolidated Statement of Cash Flows for Fiscal 2016, 2015 and 2014, respectively.

The Company did not grant any stock options in Fiscal 2016, 2015 or 2014.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 12**  
**Share-Based Compensation Plans, Continued**

A summary of stock option activity and changes for Fiscal 2016, 2015 and 2014 is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands) <sup>(1)</sup>
Outstanding, February 3, 2013	263,155	\$ 27.43		
Granted	—	—		
Exercised	(130,051)	23.33		
Forfeited	(2,250)	17.50		
Outstanding, February 1, 2014	130,854	\$ 31.67		
Granted	—	—		
Exercised	(68,616)	26.49		
Forfeited	—	—		
Outstanding, January 31, 2015	62,238	\$ 37.38		
<b>Granted</b>	—	—		
<b>Exercised</b>	(35,542)	<b>36.81</b>		
<b>Forfeited</b>	0	—		
<b>Outstanding, January 30, 2016</b>	<b>26,696</b>	<b>\$ 38.13</b>	<b>0.7343</b>	<b>\$ 748</b>
<b>Exercisable, January 30, 2016</b>	<b>26,696</b>	<b>\$ 38.13</b>	<b>0.7343</b>	<b>\$ 748</b>

(1) Based upon the difference between the closing market price of the Company's common stock on the last trading day of the year and the grant price of in-the-money options.

The total intrinsic value, which represents the difference between the underlying stock's market price and the option's exercise price, of options exercised during Fiscal 2016, 2015 and 2014 was \$0.9 million, \$3.4 million and \$6.1 million, respectively.

As of January 30, 2016, the Company does not have any nonvested options under its stock incentive plans.

As of January 30, 2016, there was no unrecognized compensation costs related to stock options under the 2009 Plan. Cash received from option exercises under all share-based payment arrangements for Fiscal 2016, 2015 and 2014 was \$1.3 million, \$1.8 million and \$3.0 million, respectively.

***Restricted Stock Incentive Plans***

**Director Restricted Stock**

The 2009 Plan permits grants to non-employee directors on such terms as the Board of Directors may approve. Restricted stock awards were made to independent directors on the date of the annual meeting of shareholders in each of Fiscal 2016, 2015 and 2014. The shares granted in each award vested on the first anniversary of the grant date, subject to the director's continued service through that date. The Board of Directors also approved a grant of 365 additional shares in Fiscal 2014 to a newly elected director on the annual meeting date in Fiscal 2014 on the same terms as the Fiscal 2014



**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 12**  
**Share-Based Compensation Plans, Continued**

grant to all independent directors. In all cases, the director is restricted from selling, transferring, pledging or assigning the shares for three years from the grant date unless he or she earlier leaves the board. The Fiscal 2016, 2015 and 2014 grants were valued at \$97,500, \$97,500 and \$80,000, respectively, per director based on the average closing price of the stock for the first five trading days of the month in which they were granted and vested on the first anniversary of the grant date. For Fiscal 2016, 2015 and 2014, the Company issued 12,978 shares, 11,592 shares and 9,280 shares, respectively, of director restricted stock.

In addition, the 2009 Plan permits an outside director to elect irrevocably to receive all or a specified portion of his annual retainers for board membership and any committee chairmanship for the following fiscal year in a number of shares of restricted stock (the "Retainer Stock"). Shares of the Retainer Stock are granted as of the first business day of the fiscal year as to which the election is effective, subject to forfeiture to the extent not earned upon the outside director's ceasing to serve as a director or committee chairman during such fiscal year. Once the shares are earned, the director is restricted from selling, transferring, pledging or assigning the shares for an additional three years. For Fiscal 2016, 2015 and 2014, the Company issued 6,791 shares, 4,804 shares and 4,790 shares, respectively, of Retainer Stock.

For Fiscal 2016, 2015 and 2014, the Company recognized \$1.4 million, \$1.1 million and \$1.0 million, respectively, of director restricted stock related share-based compensation in selling and administrative expenses in the accompanying Consolidated Statements of Operations.

**Employee Restricted Stock**

Under the 2009 Plan, the Company issued 219,404 shares, 185,416 shares and 199,392 shares of employee restricted stock in Fiscal 2016, 2015 and 2014, respectively. Shares of employee restricted stock issued in Fiscal 2016, 2015 and 2014 primarily vest 25% per year over four years, provided that on such date the grantee has remained continuously employed by the Company since the date of grant. The fair value of employee restricted stock is charged against income as compensation cost over the vesting period. Compensation cost recognized in selling and administrative expenses in the accompanying Consolidated Statements of Operations for these shares was \$12.4 million, \$12.3 million and \$11.3 million for Fiscal 2016, 2015 and 2014, respectively.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 12**  
**Share-Based Compensation Plans, Continued**

A summary of the status of the Company's nonvested shares of its employee restricted stock as of January 30, 2016 is presented below:

<b>Nonvested Restricted Shares</b>	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at February 2, 2013	692,782	\$ 40.59
Granted	199,392	65.11
Vested	(199,428)	34.31
Withheld for federal taxes	(105,193)	34.42
Forfeited	(6,279)	46.48
Nonvested at February 1, 2014	581,274	52.21
Granted	185,416	80.85
Vested	(177,694)	44.77
Withheld for federal taxes	(88,003)	45.27
Forfeited	(13,999)	65.71
Nonvested at January 31, 2015	486,994	66.70
<b>Granted</b>	<b>219,404</b>	<b>66.43</b>
<b>Vested</b>	<b>(141,795)</b>	<b>60.08</b>
<b>Withheld for federal taxes</b>	<b>(65,783)</b>	<b>60.62</b>
<b>Forfeited</b>	<b>(27,221)</b>	<b>69.31</b>
<b>Nonvested at January 30, 2016</b>	<b>471,599</b>	<b>\$ 69.26</b>

As of January 30, 2016, there was \$25.2 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements for restricted stock discussed above. That cost is expected to be recognized over a weighted average period of 1.76 years.

***Employee Stock Purchase Plan***

The Company ended the ESPP in Fiscal 2016. The shares issued under the ESPP for Fiscal 2016 will be the last shares issued. Under the ESPP, the Company was authorized to issue up to 1.0 million shares of common stock to qualifying full-time employees whose total annual base salary was less than \$90,000. The Company's board of directors amended the Company's ESPP effective October 1, 2005 to provide that participants may acquire shares under the ESPP at a 5% discount from fair market value on the last day of the ESPP year rather than a 15% discount prior to the amendment. Employees can choose each year to have up to 15% of their annual base earnings or \$9,500, whichever is lower, withheld to purchase the Company's common stock. Under the Compensation – Stock Compensation Topic of the Codification, shares issued under the ESPP as amended are non-compensatory. Under the ESPP, the Company sold 2,470 shares, 2,688 shares and 3,146 shares to employees in Fiscal 2016, 2015 and 2014, respectively.

## **Note 13**

### **Legal Proceedings**

#### **Environmental Matters**

##### *New York State Environmental Matters*

In August 1997, the New York State Department of Environmental Conservation (“NYSDEC”) and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study (“RIFS”) and implementing an interim remedial measure (“IRM”) with regard to the site of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969. The Company undertook the IRM and RIFS voluntarily, without admitting liability or accepting responsibility for any future remediation of the site. The Company has completed the IRM and the RIFS. In the course of preparing the RIFS, the Company identified remedial alternatives with estimated undiscounted costs ranging from \$0.0 million to \$24.0 million, excluding amounts previously expended or provided for by the Company. The United States Environmental Protection Agency (“EPA”), which has assumed primary regulatory responsibility for the site from NYSDEC, issued a Record of Decision in September 2007. The Record of Decision specified a remedy of a combination of groundwater extraction and treatment and in site chemical oxidation.

In July 2009, the Company agreed to a Consent Order with the EPA requiring the Company to perform certain remediation actions, operations, maintenance and monitoring at the site. In September 2009, a Consent Judgment embodying the Consent Order was filed in the U.S. District Court for the Eastern District of New York.

In September 2015, the EPA adopted an amendment to the 2007 Record of Decision by eliminating the separate ground-water extraction and treatment systems and the use of in-situ oxidation from the remedy adopted in the 2007 Record of Decision. The amendment provides for the continued operation and maintenance of the existing wellhead treatment systems on wells operated by the Village of Garden City, New York (the "Village").

The Village has additionally asserted that the Company is liable for the costs associated with enhanced treatment required by the impact of the groundwater plume from the site on two public water supply wells, including historical total costs ranging from approximately \$1.8 million to in excess of \$2.5 million, and future operation and maintenance costs which the Village estimates at \$126,400 annually while the enhanced treatment continues. On December 14, 2007, the Village filed a complaint (the "Village Lawsuit") against the Company and the owner of the property under the Resource Conservation and Recovery Act (“RCRA”), the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) as well as a number of state law theories in the U.S. District Court for the Eastern District of New York, seeking an injunction requiring the defendants to remediate contamination from the site and to establish their liability for future costs that may be incurred in connection with it, which the complaint alleges could exceed \$41 million, undiscounted, over a 70-year period.

The Company has not verified the estimates of either historic or future costs asserted in the Village Lawsuit, but believes that an estimate of future costs based on a 70-year remediation period is unreasonable given the expected remedial period reflected in the EPA's Record of Decision.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 13**  
**Legal Proceedings, Continued**

On May 23, 2008, the Company filed a motion to dismiss the Village Lawsuit on grounds including applicable statutes of limitation and preemption of certain claims by the NYSDEC's and the EPA's diligent prosecution of remediation. On January 27, 2009, the Court granted the motion to dismiss all counts of the plaintiff's complaint except for the CERCLA claim and a state law claim for indemnity for costs incurred after November 27, 2000. On September 23, 2009, on a motion for reconsideration by the Village, the Court reinstated the claims for injunctive relief under RCRA and for equitable relief under certain of the state law theories.

The Company and the Village have reached an agreement in principle providing for the Village to continue to operate and maintain the well head treatment systems in accordance with the Record of Decision and to release its claims against the Company asserted in the Village Lawsuit in exchange for a lump-sum payment by the Company. The agreement in principle is subject to the issuance by EPA of Statement of Work under the amended Record of Decision that is acceptable to the Company and the Village and to the execution by both parties of definitive documentation incorporating the agreement in principle. While there can be no assurance that a definitive agreement incorporating the agreement in principle will be concluded, the Company does not expect that such an agreement, the Village Lawsuit, or the implementation of the amended Record of Decision would have a material effect on its financial condition or results of operations.

In April 2015, the Company received from EPA a Notice of Potential Liability and Demand for Costs pursuant to CERCLA regarding the site in Gloversville, New York of a former leather tannery operated by the Company and by other, unrelated parties. The Notice demanded payment of approximately \$2.2 million of response costs claimed by EPA to have been incurred to conduct assessments and removal activities at the site. The Company has requested additional information on the basis for EPA's assertion that the Company is a potentially responsible party with regard to the site and is assessing the claims asserted in the notice. The Company's environmental insurance carrier is providing coverage of the matter subject to a \$500,000 self-insured retention and the other terms and conditions of the insurance policy, subject to a standard reservation of rights.

*Whitehall Environmental Matters*

The Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's former Volunteer Leather Company facility in Whitehall, Michigan.

In October 2010, the Company and the Michigan Department of Natural Resources and Environment entered into a Consent Decree providing for implementation of a remedial Work Plan for the facility site designed to bring the site into compliance with applicable regulatory standards. The Work Plan's implementation is substantially complete and the Company expects, based on its present understanding of the condition of the site, that its future obligations with respect to the site will be limited to periodic monitoring and that future costs related to the site should not have a material effect on its financial condition or results of operations.

**Note 13**  
**Legal Proceedings, Continued**

*Accrual for Environmental Contingencies*

Related to all outstanding environmental contingencies, the Company had accrued \$14.5 million as of January 30, 2016, \$14.1 million as of January 31, 2015 and \$11.9 million as of February 1, 2014. All such provisions reflect the Company's estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying Consolidated Balance Sheets because it relates to former facilities operated by the Company. The Company has made pretax accruals for certain of these contingencies, including approximately \$0.8 million reflected in Fiscal 2016, \$2.8 million reflected in Fiscal 2015 and \$0.5 million reflected in Fiscal 2014. These charges are included in provision for discontinued operations, net in the Consolidated Statements of Operations and represent changes in estimates.

**Other Matters**

On December 10, 2010, the Company announced that it had suffered a criminal intrusion into the portion of its computer network that processes payments for transactions in certain of its retail stores. Visa, Inc., MasterCard Worldwide and American Express Travel Related Services Company, Inc. have asserted claims totaling approximately \$15.6 million in connection with the intrusion and the claims of two of the claimants have been collected by withholding payment card receivables of the Company. In the fourth quarter of Fiscal 2013, the Company recorded a \$15.4 million charge to earnings in connection with the disputed liability. On March 7, 2013, the Company filed an action in the U.S. District Court for the Middle District of Tennessee against Visa U.S.A. Inc., Visa Inc. and Visa International Service Association seeking to recover \$13.3 million in non-compliance fines and issuer reimbursement assessments collected from the Company in connection with the intrusion. The Company does not currently expect any future claims in connection with the intrusion to have a material effect on its financial condition, cash flows, or results of operations.

On May 17, 2013, a former employee filed a putative class and representative action, *Garcia v. Genesco, Inc.*, in the Superior Court of California for the County of Ventura, alleging various claims under the California Labor Code, including failure to provide meal and rest periods, failure to timely pay wages, failure to provide accurate itemized wage statements, and unfair competition and violation of the Private Attorneys' General Act of 2004, and seeking unspecified damages and penalties. On August 30, 2013, the Company removed the action to the United States District Court for the Central District of California. Subsequently, the Company reached an agreement to settle the matter. The court granted final approval of the settlement on May 8, 2015 and dismissed the case.

On April 30, 2015, an employee of a subsidiary of the Company filed an action, *Stewart v. Hat World, Inc., et al.*, under the California Labor Code Private Attorneys General Act on behalf of herself, the State of California, and other non-exempt, hourly-paid employees of the subsidiary in California, seeking unspecified damages and penalties for various alleged violations of the California Labor Code, including failure to pay for all hours worked, minimum wage and overtime violations, failure to provide

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 13**  
**Legal Proceedings, Continued**

required meal and rest periods, failure to timely pay wages, failure to provide complete and accurate wage statements, and failure to provide full reimbursement of business-related costs and expenses incurred in the course of employment. The Company disputes the material allegations in the complaint and intends to defend the matter.

On March 3, 2016, plaintiffs filed an action *Lacey, et al. v. Genesco Inc.*, in the U.S. District Court for the Western District of Pennsylvania, alleging that certain of the Company's internet websites are inaccessible to the blind, in violation of the Americans With Disabilities Act. The suit seeks injunctive relief and attorneys' fees. The Company is investigating the allegations in the complaint.

In addition to the matters specifically described in this Note, the Company is a party to other legal and regulatory proceedings and claims arising in the ordinary course of its business. While management does not believe that the Company's liability with respect to any of these other matters is likely to have a material effect on its financial statements, legal proceedings are subject to inherent uncertainties and unfavorable rulings could have a material adverse impact on the Company's financial statements.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 14****Business Segment Information**

During Fiscal 2016, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys, Little Burgundy and Underground by Journeys retail footwear chains, e-commerce operations and catalog; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised primarily of the Lids, Hat World and Hat Shack retail headwear stores, the Lids Locker Room and Lids Clubhouse fan shops (operated under various trade names), licensed team merchandise departments in Macy's department stores operated under the name of Locker Room by Lids under a license agreement with Macy's, certain e-commerce operations and an athletic team dealer business operating as Lids Team Sports which was sold in the fourth quarter of Fiscal 2016; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce operations, catalog and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers® Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip® Footwear, occupational footwear primarily sold directly to consumers; and other brands.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company's reportable segments are based on management's organization of the segments in order to make operating decisions and assess performance along types of products sold. Journeys Group, Schuh Group and Lids Sports Group sell primarily branded products from other companies while Johnston & Murphy Group and Licensed Brands sell primarily the Company's owned and licensed brands.

Corporate assets include cash, domestic prepaid rent expense, prepaid income taxes, deferred income taxes, deferred note expense and corporate fixed assets. The Company charges allocated retail costs of distribution to each segment. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, interest expense, interest income, asset impairment charges and other, including major litigation and major lease terminations.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 14**  
**Business Segment Information, Continued**

Fiscal 2016							
In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	\$ 1,251,637	\$ 405,674	\$ 976,372	\$ 278,681	\$ 110,655	\$ 912	\$ 3,023,931
Intercompany sales	—	—	(868)	—	(829)	—	(1,697)
<b>Net sales to external customers</b>	<b>\$ 1,251,637</b>	<b>\$ 405,674</b>	<b>\$ 975,504</b>	<b>\$ 278,681</b>	<b>\$ 109,826</b>	<b>\$ 912</b>	<b>\$ 3,022,234</b>
Segment operating income (loss)	\$ 126,248	\$ 19,124	\$ 17,040	\$ 17,761	\$ 9,236	\$ (30,265)	\$ 159,144
Asset Impairments and other*	—	—	—	—	—	(7,893)	(7,893)
<b>Earnings (loss) from operations</b>	<b>126,248</b>	<b>19,124</b>	<b>17,040</b>	<b>17,761</b>	<b>9,236</b>	<b>(38,158)</b>	<b>151,251</b>
Gain on sale of Lids Team Sports	—	—	—	—	—	4,685	4,685
Interest expense	—	—	—	—	—	(4,414)	(4,414)
Interest income	—	—	—	—	—	11	11
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>\$ 126,248</b>	<b>\$ 19,124</b>	<b>\$ 17,040</b>	<b>\$ 17,761</b>	<b>\$ 9,236</b>	<b>\$ (37,876)</b>	<b>\$ 151,533</b>
Total assets**	\$ 349,021	\$ 241,924	\$ 517,284	\$ 118,913	\$ 50,718	\$ 263,623	\$ 1,541,483
Depreciation and amortization	22,504	14,814	30,196	5,677	911	4,909	79,011
Capital expenditures	33,251	19,065	37,396	7,796	774	2,370	100,652

\*Asset Impairments and other includes a \$3.1 million charge for asset impairments, of which \$2.7 million is in the Lids Sports Group and \$0.4 million is in the Schuh Group, a \$2.5 million charge for asset write-downs, a \$2.2 million charge for network intrusion costs and a \$0.1 million charge for other legal matters.

\*\*Total assets for the Lids Sports Group, Schuh Group, Journeys Group and Licensed Brands include \$180.9 million, \$90.3 million, \$9.4 million and \$0.8 million of goodwill, respectively. Goodwill for Lids Sports Group primarily decreased \$19.2 million due to the sale of Lids Team Sports in the fourth quarter of Fiscal 2016. Goodwill for Schuh Group decreased by \$5.7 million due to foreign currency translation adjustment. Goodwill for Journeys Group increased \$9.4 million due to the acquisition of Little Burgundy in the fourth quarter of Fiscal 2016. Of the Company's \$323.3 million of long-lived assets, \$64.7 million and \$18.3 million relate to long-lived assets in the United Kingdom and Canada, respectively.



**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 14**  
**Business Segment Information, Continued**

Fiscal 2015

In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	\$ 1,179,476	406,947	\$ 903,451	\$ 259,675	\$ 110,896	\$ 970	\$ 2,861,415
Intercompany sales	—	—	(790)	—	(781)	—	(1,571)
<b>Net sales to external customers</b>	<b>\$ 1,179,476</b>	<b>\$ 406,947</b>	<b>\$ 902,661</b>	<b>\$ 259,675</b>	<b>\$ 110,115</b>	<b>\$ 970</b>	<b>\$ 2,859,844</b>
Segment operating income (loss)	\$ 114,784	\$ 10,110	\$ 48,970	\$ 14,856	\$ 10,459	\$ (29,632)	\$ 169,547
Asset Impairments and other*	—	—	—	—	—	(2,281)	(2,281)
<b>Earnings (loss) from operations</b>	<b>114,784</b>	<b>10,110</b>	<b>48,970</b>	<b>14,856</b>	<b>10,459</b>	<b>(31,913)</b>	<b>167,266</b>
Indemnification asset write-off	—	—	—	—	—	(7,050)	(7,050)
Interest expense	—	—	—	—	—	(3,337)	(3,337)
Interest income	—	—	—	—	—	110	110
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>\$ 114,784</b>	<b>\$ 10,110</b>	<b>\$ 48,970</b>	<b>\$ 14,856</b>	<b>\$ 10,459</b>	<b>\$ (42,190)</b>	<b>\$ 156,989</b>
Total assets**	\$ 292,536	246,570	\$ 660,833	\$ 109,791	\$ 47,066	\$ 226,291	\$ 1,583,087
Depreciation and amortization	20,785	14,114	29,711	4,935	725	4,056	74,326
Capital expenditures	26,180	21,382	43,013	8,196	979	3,361	103,111

\*Asset Impairments and other includes a \$1.9 million charge for asset impairments, of which \$1.7 million is in the Lids Sports Group and \$0.2 million is in the Johnston & Murphy Group, a \$3.1 million charge for network intrusion costs and a \$0.7 million charge for other legal matters, partially offset by a gain of \$(3.4) million on a lease termination of a Lids store.

\*\*Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include \$200.1 million, \$96.0 million and \$0.8 million of goodwill, respectively. Goodwill for Lids Sports Group includes \$17.7 million of additions in Fiscal 2015 resulting from several small acquisitions and the Schuh Group goodwill decreased by \$8.9 million due to foreign currency translation adjustment. Of the Company's \$305.8 million of long-lived assets, \$63.9 million and \$14.6 million relate to long-lived assets in the United Kingdom and Canada, respectively.

**Genesco Inc.  
and Subsidiaries**  
Notes to Consolidated Financial Statements

**Note 14**  
**Business Segment Information, Continued**

Fiscal 2014

In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	\$ 1,082,241	\$ 364,732	\$ 821,779	\$ 245,941	\$ 109,989	\$ 1,282	\$ 2,625,964
Intercompany sales	—	—	(783)	—	(209)	—	(992)
<b>Net sales to external customers</b>	<b>\$ 1,082,241</b>	<b>\$ 364,732</b>	<b>\$ 820,996</b>	<b>\$ 245,941</b>	<b>\$ 109,780</b>	<b>\$ 1,282</b>	<b>\$ 2,624,972</b>
Segment operating income (loss)	\$ 97,377	\$ 3,063	\$ 63,748	\$ 17,638	\$ 10,614	\$ (27,664)	\$ 164,776
Asset Impairments and other*	—	—	—	—	—	(1,341)	(1,341)
<b>Earnings (loss) from operations</b>	<b>97,377</b>	<b>3,063</b>	<b>63,748</b>	<b>17,638</b>	<b>10,614</b>	<b>(29,005)</b>	<b>163,435</b>
Interest expense	—	—	—	—	—	(4,641)	(4,641)
Interest income	—	—	—	—	—	66	66
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>\$ 97,377</b>	<b>\$ 3,063</b>	<b>\$ 63,748</b>	<b>\$ 17,638</b>	<b>\$ 10,614</b>	<b>\$ (33,580)</b>	<b>\$ 158,860</b>
Total assets**	\$ 298,105	\$ 268,514	\$ 574,664	\$ 97,532	\$ 50,955	\$ 149,514	\$ 1,439,284
Depreciation and amortization	19,400	11,339	28,345	4,002	468	3,581	67,135
Capital expenditures	20,223	29,673	35,193	9,178	1,452	2,737	98,456

\*Asset Impairments and other includes a \$2.3 million charge for asset impairments, of which \$1.4 million is in the Lids Sports Group, \$0.6 million is in the Journeys Group and \$0.3 million is in the Johnston & Murphy Group, a \$3.3 million charge for network intrusion costs, a \$2.4 million charge for other legal matters and a \$1.6 million charge for a lease termination, partially offset by a gain of \$(8.3) million for the lease termination of a New York City Journeys store.

\*\*Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include \$182.4 million, \$104.9 million and \$0.8 million of goodwill, respectively. Goodwill for the Lids Sports Group includes \$10.1 million of additions in Fiscal 2014 resulting from small acquisitions and the Schuh Group goodwill increased by \$4.2 million due to foreign currency translation adjustment. Of the Company's \$280.0 million of long-lived assets, \$66.9 million and \$15.1 million relate to long-lived assets in the United Kingdom and Canada, respectively.

## Note 15

### Quarterly Financial Information (Unaudited)

(In thousands, except per share amounts)	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Fiscal Year	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	\$ 660,597	\$ 628,825	\$ 655,525	\$ 615,474	\$ 773,898	\$ 722,915	\$ 932,214	\$ 892,630	\$ 3,022,234	\$ 2,859,844
Gross margin	326,333	315,944	320,091	301,745	373,886	358,489	423,156	424,233	1,443,466	1,400,411
Earnings from continuing operations before income taxes	15,609 <sup>(1)</sup>	23,017 <sup>(3)</sup>	11,568 <sup>(5)</sup>	9,302 <sup>(7)</sup>	50,720 <sup>(9)</sup>	38,619 <sup>(11)</sup>	73,636 <sup>(13)</sup>	86,051 <sup>(15)</sup>	151,533	156,989
Earnings from continuing operations	9,945	14,098	7,593	4,768	32,855	28,750	44,988	51,757	95,381	99,373
Net earnings	9,878 <sup>(2)</sup>	13,973 <sup>(4)</sup>	7,520 <sup>(6)</sup>	4,694 <sup>(8)</sup>	32,507 <sup>(10)</sup>	28,662 <sup>(12)</sup>	44,664 <sup>(14)</sup>	50,396 <sup>(16)</sup>	94,569	97,725
Diluted earnings per common share:										
Continuing operations	0.42	0.60	0.32	0.20	1.43	1.21	2.07	2.18	4.15	4.19
Net earnings	0.42	0.59	0.32	0.20	1.42	1.21	2.06	2.12	4.11	4.12

- (1) Includes a net asset impairment and other charge of \$2.6 million (see Note 3).
- (2) Includes a loss of \$0.1 million, net of tax, from discontinued operations (see Note 3).
- (3) Includes a net asset impairment and other credit of \$(1.1) million (see Note 3).
- (4) Includes a loss of \$0.1 million, net of tax, from discontinued operations (see Note 3).
- (5) Includes a net asset impairment and other charge of \$1.2 million (see Note 3).
- (6) Includes a loss of \$0.1 million, net of tax, from discontinued operations (see Note 3).
- (7) Includes a net asset impairment and other charge of \$1.4 million (see Note 3).
- (8) Includes a loss of \$0.1 million, net of tax, from discontinued operations (see Note 3).
- (9) Includes a net asset impairment and other charge of \$0.2 million (see Note 3).
- (10) Includes a loss of \$0.3 million, net of tax, from discontinued operations (see Note 3).
- (11) Includes a net asset impairment and other charge of \$1.0 million (see Note 3).
- (12) Includes a loss of \$0.1 million, net of tax, from discontinued operations (see Note 3).
- (13) Includes a net asset impairment and other charge of \$3.9 million (see Note 3) and a gain of \$(4.7) million on the sale of Lids Team Sports (see Note 2).
- (14) Includes a loss of \$0.3 million, net of tax, from discontinued operations (see Note 3).
- (15) Includes a net asset impairment and other charge of \$1.0 million (see Note 3).
- (16) Includes a loss of \$1.4 million, net of tax, from discontinued operations (see Note 3).

**ITEM 9, CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A, CONTROLS AND PROCEDURES**

*Evaluation of disclosure controls and procedures.*

We have established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and Board of Directors.

Based on their evaluation as of January 30, 2016, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to the Company's management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

*Management's annual report on internal control over financial reporting.*

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 30, 2016. In making this assessment, management used the criteria set forth in *Internal Control – Integrated Framework* (2013) drafted by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of January 30, 2016, the Company's internal control over financial reporting was effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's Consolidated Financial Statements, has issued an attestation report on the Company's effectiveness of internal control over financial reporting which is included herein.

*Changes in internal control over financial reporting.*

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected or are reasonable likely to materially affect the Company's internal control over financial reporting.

**ITEM 9B, OTHER INFORMATION**

Not applicable.

**PART III****ITEM 10, DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Certain information required by this item is incorporated herein by reference to the sections entitled “Election of Directors,” “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive proxy statement for its annual meeting of shareholders to be held June 23, 2016, to be filed with the Securities and Exchange Commission. Pursuant to General Instruction G(3), certain information concerning the executive officers of the Company appears under Item 4A, “Executive Officers of the Registrant” in this report following Item 4, “Mine Safety Disclosures” of Part I.

The Company has a code of ethics (the “Code of Ethics”) that applies to all of its directors, officers (including its chief executive officer, chief financial officer and chief accounting officer) and employees. The Company has made the Code of Ethics available and intends to post any legally required amendments to, or waivers of, such Code of Ethics on its website at <http://www.genesco.com>. Our website address is provided as an inactive textual reference only. The information provided on our website is not a part of this report, and therefore is not incorporated herein by reference.

**ITEM 11, EXECUTIVE COMPENSATION**

The information required by this item is incorporated herein by reference to the sections entitled “Director Compensation,” “Compensation Committee Report” and “Executive Compensation” in the Company’s definitive proxy statement for its annual meeting of shareholders to be held June 23, 2016, to be filed with the Securities and Exchange Commission.

**ITEM 12, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Certain information required by this item is incorporated herein by reference to the section entitled “Security Ownership of Officers, Directors and Principal Shareholders” in the Company’s definitive proxy statement for its annual meeting of shareholders to be held June 23, 2016, to be filed with the Securities and Exchange Commission.

The following table provides certain information as of January 30, 2016 with respect to our equity compensation plans:

**EQUITY COMPENSATION PLAN INFORMATION\***

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (1)
Equity compensation plans approved by security holders	26,696	\$ 38.13	778,226
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>26,696</b>	<b>\$ 38.13</b>	<b>778,226</b>

(1) Such shares may be issued as restricted shares or other forms of stock-based compensation pursuant to our stock incentive plans.

\* For additional information concerning our equity compensation plans, see the discussion in Note 1 in the Notes to Consolidated Financial Statements —Summary of Significant Accounting Policies – Share-Based Compensation and Note 12 Share-Based Compensation Plans.

**ITEM 13, CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated herein by reference to the section entitled “Election of Directors” in the Company’s definitive proxy statement for its annual meeting of shareholders to be held June 23, 2016, to be filed with the Securities and Exchange Commission.

**ITEM 14, PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is incorporated herein by reference to the section entitled “Audit Matters” in the Company’s definitive proxy statement for its annual meeting of shareholders to be held June 23, 2016, to be filed with the Securities and Exchange Commission.

PART IV

**ITEM 15, EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**Financial Statements**

The following consolidated financial statements of Genesco Inc. and Subsidiaries are filed as part of this report under Item 8, Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets, January 30, 2016 and January 31, 2015

Consolidated Statements of Operations, each of the three fiscal years ended 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income, each of the three fiscal years ended 2016, 2015 and 2014

Consolidated Statements of Cash Flows, each of the three fiscal years ended 2016, 2015 and 2014

Consolidated Statements of Equity, each of the three fiscal years ended 2016, 2015 and 2014

Notes to Consolidated Financial Statements

**Financial Statement Schedules**

Schedule 2 — Valuation and Qualifying Accounts, each of the three fiscal years ended 2016, 2015 and 2014

All other schedules are omitted because the required information is either not applicable or is presented in the financial statements or related notes. These schedules begin on page 114.

**Exhibits**

- (2)
  - a. Agreement and Plan of Merger, dated as of February 5, 2004, by and among Genesco Inc., HWC Merger Sub, Inc. and Hat World Corporation. Incorporated by reference to Exhibit (2)a to the current report on Form 8-K filed April 9, 2004 (File No. 1-3083).
  - b. Stock Purchase Agreement, dated December 9, 2006, by and among Hat World, Inc., Hat Shack, Inc. and all the shareholders of Hat Shack, Inc. Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed December 12, 2006 (File No. 1-3083).
  - c. Sale and Purchase Agreement, dated as of June 23, 2011, by and among Genesco Inc., Schuh Group Limited, Genesco (UK) Limited and the persons listed on Schedule 1 thereto. (Pursuant to Item 601(b)(2) of Regulation S-K, the schedules and exhibits from this agreement are omitted, but will be provided supplementally to the Commission upon request.) Incorporated by reference to Exhibit 2.1 to the current report on Form 8-K filed June 28, 2011 (File No. 1-3083).
  - d. £25 million Loan Note Instrument of Genesco (UK) Limited dated June 23, 2011. Incorporated by reference to Exhibit 2.2 to the current report on Form 8-K filed June 28, 2011 (File No. 1-3083).
- (3)
  - a. Amended and Restated Bylaws of Genesco Inc. Incorporated by reference to Exhibit 99.2 to the current report on Form 8-K filed November 12, 2015 (File No. 1-3083).
  - b. Restated Charter of Genesco Inc., as amended. Incorporated by reference to Exhibit 1 to the Genesco Inc. Registration Statement on Form 8-A/A filed with the SEC on May 1, 2003 (File No.1-3083).
- (4)
  - a. Second Amended and Restated Rights Agreement dated as of April 18, 2010. Incorporated by reference to Exhibit 4.1 to the current report on Form 8-K filed April 9, 2010 (File No. 1-3083).
  - b. Form of Certificate for the Common Stock. Incorporated by reference to Exhibit 3 to the Genesco Inc. Registration Statement on Form 8-A/A filed with the SEC on May 1, 2003 (File No.1-3083).

- (10)
- a. First Amendment to Third Amended and Restated Credit Agreement, dated as of December 4, 2015, by and among Genesco Inc., certain subsidiaries of the Genesco Inc. party thereto, as Other Domestic Borrowers, GCO Canada Inc., Genesco (UK) Limited, the lenders party thereto and Bank of America, N.A., as Agent. Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed December 7, 2015 (File No. 1-3083).
  - b. Amendment and Restatement Agreement dated November 1, 2013 between Schuh Group Limited as Parent and others as Borrowers and Guarantors, Lloyds Bank PLC as Arranger, Agent and Security Trustee. Incorporated by reference to Exhibit (10) b. to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014 (File No. 1-3083).
  - c. Form of Split-Dollar Insurance Agreement with Executive Officers. Incorporated by reference to Exhibit (10)a to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 1997 (File No.1-3083).
  - d. Genesco Inc. 2005 Equity Incentive Plan Amended and Restated as of October 24, 2007. Incorporated by reference to Exhibit (10)d to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008 (File No.1-3083).
  - e. Genesco Inc. 2009 Equity Incentive Plan. Incorporated by reference to Exhibit A to the Company's definitive proxy statement dated May 15, 2009. Amended and Restated Genesco Inc. 2009 Equity Incentive Plan. Incorporated by reference to Exhibit A to the Company's definitive proxy statement dated May 13, 2011.
  - f. Amended and Restated EVA Incentive Compensation Plan. Incorporated by reference to Exhibit (10)a to the Company's Quarterly Report on Form 10-Q for the quarter ended May 3, 2014 (File No. 1-3083).
  - g. Form of Incentive Stock Option Agreement. Incorporated by reference to Exhibit (10)c to the Company's Quarterly Report on Form 10-Q for the quarter ended October 29, 2005 (File No.1-3083).
  - h. Form of Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit (10)d to the Company's Quarterly Report on Form 10-Q for the quarter ended October 29, 2005 (File No.1-3083).
  - i. Form of Restricted Share Award Agreement for Executive Officers. Incorporated by reference to Exhibit (10)e to the Company's Quarterly Report on Form 10-Q for the quarter ended October 29, 2005 (File No.1-3083).
  - j. Form of Restricted Share Award Agreement for Officers and Employees. Incorporated by reference to Exhibit (10)f to the Company's Quarterly Report on Form 10-Q for the quarter ended October 29, 2005 (File No.1-3083).
  - k. Form of Restricted Share Award Agreement. Incorporated by reference to Exhibit (10)a to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2009 (File No. 1-3083).
  - l. Form of Indemnification Agreement For Directors. Incorporated by reference to Exhibit (10)m to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993 (File No.1-3083).
  - m. Form of Non-Executive Director Indemnification Agreement. Incorporated by reference to Exhibit (10.1) to the current report on Form 8-K filed November 3, 2008 (File No. 1-3083).
  - n. Form of Officer Indemnification Agreement. Incorporated by reference to Exhibit (10.2) to the Company's Quarterly Report on Form 10-Q for the quarter ended November 1, 2008 (File No.1-3083).
  - o. Form of Employment Protection Agreement between the Company and certain executive officers dated as of February 26, 1997. Incorporated by reference to Exhibit (10)p to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 1997 (File No.1-3083).
  - p. First Amendment to Form of Employment Protection Agreement. Incorporated by reference to Exhibit (10)s to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2010 (File No.1-3083).
  - q. Transition Agreement dated as of February 23, 2016 between the Company and Kenneth Kocher.
  - r. Trademark License Agreement, dated August 9, 2000, between Levi Strauss & Co. and Genesco Inc. Incorporated by reference to Exhibit (10.1) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 30, 2004 (File No.1-3083).\*
  - s. Amendment No. 1 (Renewal) to Trademark License Agreement, dated October 18, 2004, between Levi Strauss & Co. and Genesco Inc. Incorporated by reference to Exhibit (10.2) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 30, 2004 (File No.1-3083).\*

t.	Amendment No. 2 (Renewal) to Trademark License Agreement, dated November 1, 2006, between Levi Strauss & Co. and Genesco. Inc. Incorporated by reference to Exhibit (10.1) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 28, 2006 (File No.1-3083).*
u.	Amendment No. 4 (Renewal) to Trademark License Agreement, dated May 15, 2009, between Levi Strauss & Co. and Genesco Inc. Incorporated by reference to Exhibit (10)b to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2009 (File No.1-3083).*
v.	Amendment No. 5 (Renewal) to Trademark License Agreement, dated July 23, 2012, between Levi Strauss & Co. and Genesco Inc. Incorporated by reference to Exhibit (10.1) to the Company's Current Report on Form 8-K filed July 25, 2012 (File No. 1-3083).*
w.	Genesco Inc. Deferred Income Plan dated as of July 1, 2000. Incorporated by reference to Exhibit (10)p to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005. Amended and Restated Deferred Income Plan dated August 22, 2007. Incorporated by reference to Exhibit (10)r to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008 (File No.1-3083).
x.	The Schuh Group Limited 2015 Management Bonus Scheme. Incorporated by reference to Exhibit (10)a to the Company's Quarterly Report on Form 10-Q for the quarter ended July 30, 2011 (File No.1-3083).
y.	Basic Form of Exchange Agreement (Restricted Stock). Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed April 29, 2009 (File No. 1-3083).
z.	Basic Form of Exchange Agreement (Unrestricted Stock). Incorporated by reference to Exhibit 10.2 to the current report on Form 8-K filed April 29, 2009 (File No. 1-3083).
aa.	Form of Conversion Agreement. Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed November 2, 2009 (File No. 1-3083).
bb.	Form of Conversion Agreement. Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed November 6, 2009 (File No. 1-3083).
cc.	Settlement Agreement, dated as of March 3, 2008, by and among UBS Securities LLC and UBS Loan Finance LLC, The Finish Line, Inc. and Headwind, Inc. and Genesco Inc. Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed March 4, 2008 (File No. 1-3083).
(21)	Subsidiaries of the Company
(23)	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm included on page 112.
(24)	Power of Attorney
(31.1)	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32.2)	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

Exhibits (10)c through (10)k, (10)o through (10)q and (10)w through (10)x are Management Contracts or Compensatory Plans or Arrangements required to be filed as Exhibits to this Form 10-K.



\* Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been granted with respect to the omitted portion.

A copy of any of the above described exhibits will be furnished to the shareholders upon written request, addressed to Director, Corporate Relations, Genesco Inc., Genesco Park, Room 498, P.O. Box 731, Nashville, Tennessee 37202-0731, accompanied by a check in the amount of \$15.00 payable to Genesco Inc.

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration statement (Form S-8 No. 333-08463) of Genesco Inc.,
- (2) Registration statement (Form S-8 No. 333-104908) of Genesco Inc.,
- (3) Registration statement (Form S-8 No. 333-40249) of Genesco Inc.,
- (4) Registration statement (Form S-8 No. 333-128201) of Genesco Inc.,
- (5) Registration statement (Form S-8 No. 333-160339) of Genesco Inc., and
- (6) Registration statement (Form S-8 No. 333-180463) of Genesco Inc.

of our reports dated March 30, 2016, with respect to the consolidated financial statements and schedule of Genesco Inc. and Subsidiaries and the effectiveness of internal control over financial reporting of Genesco Inc. and Subsidiaries included in this Annual Report (Form 10-K) of Genesco Inc. for the year ended January 30, 2016.

/s/ Ernst & Young LLP

Nashville, Tennessee

March 30, 2016

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/Mimi Eckel Vaughn

Mimi Eckel Vaughn  
Senior Vice President – Finance and  
Chief Financial Officer

Date: March 30, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 30th day of March, 2016.

/s/Robert J. Dennis

Robert J. Dennis

Chairman, President, Chief Executive Officer  
and a Director

(Principal Executive Officer)

/s/Mimi Eckel Vaughn

Mimi Eckel Vaughn

Senior Vice President – Finance and

Chief Financial Officer

(Principal Financial Officer)

/s/Paul D. Williams

Paul D. Williams

Vice President and Chief Accounting Officer

(Principal Accounting Officer)

Directors:

Joanna Barsh\*

Marty G. Dickens \*

James S. Beard\*

Thurgood Marshall, Jr. \*

Leonard L. Berry \*

Kathleen Mason \*

William F. Blaufuss, Jr.\*

Kevin P. McDermott\*

James W. Bradford\*

David M. Tehle\*

Matthew C. Diamond \*

\*By /s/Roger G. Sisson

Roger G. Sisson

Attorney-In-Fact

**Genesco Inc.**  
**and Subsidiaries**  
Financial Statement Schedule  
January 30, 2016

**Genesco Inc.  
and Subsidiaries**  
Valuation and Qualifying Accounts

**Year Ended January 30, 2016**

In Thousands	Beginning Balance	Charged to Profit and Loss	Increases (Decreases)	Ending Balance
Reserves deducted from assets in the balance sheet:				
<b>Accounts Receivable Allowances</b>	<u>\$ 4,191</u>	<u>\$ 637</u>	<u>\$ (1,868)</u>	<u>\$ 2,960</u>

**Year Ended January 31, 2015**

In Thousands	Beginning Balance	Charged to Profit and Loss	Increases (Decreases)	Ending Balance
Reserves deducted from assets in the balance sheet:				
<b>Accounts Receivable Allowances</b>	<u>\$ 4,420</u>	<u>\$ 390</u>	<u>\$ (619)</u>	<u>\$ 4,191</u>

**Year Ended February 1, 2014**

In Thousands	Beginning Balance	Charged to Profit and Loss	Increases (Decreases)	Ending Balance
Reserves deducted from assets in the balance sheet:				
<b>Accounts Receivable Allowances</b>	<u>\$ 6,082</u>	<u>\$ (525)</u>	<u>\$ (1,137)</u>	<u>\$ 4,420</u>

**TRANSITION AGREEMENT**

This Transition Agreement (the "Agreement") is made and entered into as of February 23, 2016 (the "Effective Date") by and between Genesco Inc., a Tennessee corporation (the "Company"), and Kenneth Kocher ("Employee"). The Company and Employee are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

**WITNESSETH:**

WHEREAS, Employee has given notice to the Company of his intent to voluntarily resign from serving as Senior Vice President of the Company, as President of Hat World, Inc., and from any other officer positions he holds in any direct or indirect subsidiary of the Company as of February 2, 2016 and as a full-time employee ("Employee's Resignation") as of March 1, 2016 (hereinafter referred to as the "Transition Start Date");

WHEREAS, the Company and Employee do not anticipate that there will be any disputes between them or legal claims arising out of Employee's Resignation, but nevertheless, desire to ensure a completely amicable transition and to settle fully and finally any and all differences or claims that might arise out of Employee's employment and his transition from such role;

WHEREAS, the Company desires to continue to employ Employee from and after the Transition Start Date for an additional six (6) month period to perform certain transition services for the Company as set forth in this Agreement; and

WHEREAS, the Parties wish to set forth their respective rights and obligations in connection with the foregoing.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter expressed, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

**SECTION 1.  
EMPLOYMENT; DUTIES AND RESPONSIBILITIES**

1.1 **Transition Services.** During the Term of this Agreement, the Company shall continue to employ Employee and Employee hereby accepts such ongoing employment, to provide services to affect the orderly transition of Employee's former duties and responsibilities with the Company and to provide services with respect to special projects as requested by the Company from time to time (the "Transition Services"). In such capacity, Employee shall make himself available to provide the Transition Services as reasonably requested by the Company and shall report directly to the Chief Executive Officer of the Company.

1.2 **Compliance with Law and Standards.** Employee shall at all times comply with all applicable laws, rules, and regulations of any and all governmental authorities and the applicable standards, bylaws, rules, compliance programs, policies, and procedures of the Company of which Employee has knowledge (including any policies that apply only to executives). Employee further agrees that Employee will not engage in any conduct which, in the reasonable determination of the Company, adversely affects the image or business of the Company or would impair in any material respect Employee's ability to carry out Employee's duties hereunder except as otherwise required by a court, law, governmental agency, or regulation. Employee acknowledges that following the Effective Date, he will not have the authority to bind

## Exhibit (10)q

the Company as its agent (and will not present himself to anyone as having such authority) without the express written directive of the Chief Executive Officer (“CEO”) of the Company.

1.3 **Ownership of Developments; Trade Secrets of Others.** All copyrights, patents, trade secrets, or other intellectual property rights associated with any idea, concepts, techniques, inventions, processes, or works of authorship developed or created by Employee during the course of his work for the Company, including past employment and with respect to the services to be provided hereunder (collectively, the “Work Product”), will belong exclusively to the Company and will, to the extent possible, be considered a work made by Employee for hire for the Company within the meaning of Title 17 of the United States Code. To the extent the Work Product may not be considered work made by Employee for hire for the Company, Employee agrees to assign, and automatically assign at the time of creation of the Work Product, without any requirement of further consideration, any right, title, or interest Employee may have in such Work Product. Upon the request of the Company, Employee will take further actions, including execution and delivery of instruments of conveyance as may be appropriate to give full and proper effect to such assignment. Employee represents that he is not bound by, and covenants that he will not enter into, any agreements, either written or oral, which are in conflict with this provision. For purposes of this Section 1.3, the term “Company” also will include any existing or future affiliates of the Company.

1.4 **Cooperation.** Employee shall cooperate with the Company with respect to any claim against the Company and shall make himself available as a witness in any action, investigation, or other proceeding before any court, government agency, arbitrator, or mediator in which he may be called to appear by the Company regarding any business, property, or operations of the Company or any of its affiliates or subsidiaries, and shall truthfully testify in any such action, proceeding, or deposition in which he also appears. Upon request by Employee and prior approval by the Company, the Company shall reimburse Employee for reasonable travel expenses incurred by Employee in connection with any such appearance in which Employee is so called to appear.

## SECTION 2. COMPENSATION

### 2.1 **Compensation.**

2.1.1 **Payment Following Resignation/Release.** Upon: 1) Employee’s Resignation and execution of this Agreement; 2) Employee’s execution of the Resignation General Release attached as Exhibit A hereto as on March 1, 2016 or thereafter; and 3) the expiration of the seven (7) day Revocation Period in the Resignation General Release without the revocation of such release, the Company shall pay Employee a lump sum payment of \$443,500 (the “Resignation Payment”). The parties acknowledge that the Resignation Payment is consideration for Employee entering into this Agreement (and in particular his taking on the Restrictive Covenants in Section 4 of the Agreement) and his release of claims in the Resignation General Release. Employee acknowledges that the Resignation Payment is in addition to any compensation Employee has earned from the Company through the Transition Start Date and that Employee would not be entitled to the Resignation Payment but for Employee’s execution of this Agreement and Exhibit A, the Resignation General Release.

2.1.2 **Transition Pay.** Except for life and disability (short-term and long-term coverage) which terminated as of February 2, 2016, Employee will be entitled to full salary and benefit participation until the Transition Start Date subject to the terms of any benefit plan. From and after the Transition Start Date and during the remainder of the Term (as defined in 3.1), for performance of the Transition Services, the Company shall pay Employee up to \$120,000 (the “Transition Pay”), in the amount of \$20,000 per month.

**2.1.3 Payment Following Termination/Release.** (a) If Employee's employment with the Company is terminated at the expiration of the six month Term in accordance with Section 3.1 without Employee's employment having been terminated earlier, following the Termination Date (as defined in 3.1) and upon Employee's execution of the Termination General Release attached as Exhibit B herein, and expiration of the seven (7) day Revocation Period in the Termination General Release without revocation of such release, the Company shall pay Employee a lump sum payment of \$100,000 (the "Severance Payment"). The parties acknowledge that the Severance Payment is consideration for Employee entering into this Agreement (and in particular his taking on the Restrictive Covenants in Section 4 of the Agreement) and his release of claims in the Termination General Release. Employee acknowledges that the Severance Payment shall be in addition to any compensation Employee has earned through the Transition Start Date, and will earn through the Term, and that Employee would not be entitled to the Severance Payment but for Employee's execution of this Agreement and Exhibit B, the Termination General Release. (b) If Employee's employment is terminated prior to the expiration of the six month Term as a result of the death of Employee, the Company shall pay to Employee's estate: (i) \$100,000; and (ii) any remaining portion of the Transition Pay that Employee would have earned throughout the remainder of the six month Term as set forth in Section 2.1.2.

**2.1.4 Equity Grants; Vacation Accrual.** Employee shall not be entitled to receive awards after the Effective Date under any of the Company's equity incentive plans, nor shall Employee be eligible to receive an annual incentive or any other bonus of any kind. Outstanding equity-based awards granted to Employee prior to the Effective Date shall continue to vest in accordance with their respective terms until the Termination Date. Employee acknowledges that he is currently entitled to vest up to 9,846 shares in June 2016, provided that Employee remains employed by the Company. Employee further acknowledges that outstanding equity-based awards scheduled to vest following the Termination Date shall be forfeited, including 15,018 unvested shares, which are not scheduled to vest in their entirety until June 2019. In addition, Employee shall not accrue any vacation or paid time off during the Term of this Agreement.

**2.1.5 Option Agreements.** Any existing Non Qualified Option Agreements and Incentive Stock Option Agreements between Employee and the Company (collectively, "Option Agreements") remain valid and in effect. Neither the terms of the Option Agreements nor the terms of the 2009 Equity Incentive Plan as they relate to the exercise of such options are amended or superseded by this Agreement.

**2.1.6 No Additional Compensation.** Employee acknowledges that, except as expressly provided in Benefits Section 2.3 or otherwise in this Agreement, Employee will not receive, nor is he entitled to, any additional compensation, severance, or benefits, except to the extent that Employee is eligible for continuation of such benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA").

**2.2 Expenses.** The Company will reimburse Employee for all reasonable, documented expenses of types authorized by the Company and incurred by Employee in the performance of his duties hereunder. Employee will comply with such budget limitations and approval and reporting requirements with respect to expenses as the Company may establish from time to time. To the extent that the reimbursement of expenses under this Section 2.2 or otherwise shall constitute deferred compensation under Section 409A of the Code, such expenses shall be reimbursed in accordance with Section 1.409A-3(i)(1)(iv) of the Treasury Regulations. For the avoidance of doubt, the amount of expenses eligible for reimbursement under this Section 2.2 in any given year shall not affect the expenses eligible for reimbursement in any other year.

**2.3 Benefits.** With the exceptions noted in 2.1.2, as of the Transition Start Date, as a result of the significant reduction of Employee's hours of work, Employee will not be eligible for the employee benefit



## Exhibit (10)q

plans and programs which are from time to time generally made available to the employees of the Company, including but not limited to health/dental/vision insurance, life insurance, and disability insurance benefits under the terms of the Company's plans. Notice regarding Employee's rights regarding continuation of such benefits under COBRA will be sent to Employee.

Subject to Employee's timely election of continuation coverage under COBRA, and provided that Employee is eligible and remains eligible for COBRA coverage, and that this Agreement is not terminated earlier for Cause, the Company will contribute the portion of the premiums previously paid by the Employer for continuation of Employee's medical (including vision and pharmacy/PBM) and dental benefits under COBRA, until the expiration of the Term, after which time Employee will be responsible for all premiums for such continuation coverage under COBRA.

2.4 **All Payments Prior to December 31, 2016.** For the avoidance of doubt, all payments to be made to Employee hereunder will be made no later than December 31, 2016, subject to any forfeiture requirements herein.

### SECTION 3. TERM AND TERMINATION

3.1 **Term.** The term (the "Term") of this Agreement shall begin on the Effective Date and shall end on the six month anniversary of the Transition Start Date, at which time Employee's employment with the Company will terminate, unless terminated earlier by reason of Employee's resignation of his employment or by the Company with Cause (such date that the Term ends or is terminated being the "Termination Date").

3.2 **Termination by the Company for Cause.** The Company may terminate this Agreement at any time in its sole discretion for Cause. For purposes of this Agreement, "Cause" shall mean: (i) failure or refusal to carry out the lawful directions of the Company, which are reasonably consistent with the responsibilities of Employee's position; (ii) a material act of dishonesty or disloyalty related to the business of the Company; (iii) conviction of a felony, any crime against the Company, or any crime involving dishonest conduct; (iv) performance of Employee's duties under the influence of alcohol or controlled substances without a prescription; (v) any incident materially compromising Employee's reputation or ability to represent the Company with the public or any act or omission by Employee that substantially impairs the Company's business, good will, or reputation; or (vi) Employee's material breach of any term of this Agreement or the Resignation General Release which, if deemed susceptible to cure by the Company within its sole discretion, remains uncured for 30-days after Company provides written notice to Employee of such breach.

3.3 **Transition Pay Following Termination.** Employee acknowledges that if this Agreement is terminated by Employee for any reason or by the Company for Cause, Employee shall not be entitled to any Transition Pay after the Termination Date. The Company shall pay Employee any accrued but unpaid Transition Pay at the end of the applicable monthly pay period in which the termination occurs.

### SECTION 4. NON-COMPETITION, NON-SOLICITATION, CONFIDENTIALITY

4.1 **Non-Competition, Non-Solicitation.** In recognition and consideration of his receipt of the Resignation Payment, and his eligibility for additional benefits hereunder, Employee hereby covenants and agrees as follows:

(a) Absent prior written consent of the Chief Executive Officer of Genesco Inc. (the "CEO), during the twelve month period following the Transition Start Date (the "Non-Compete

## Exhibit (10)q

Restricted Period”), Employee shall not, directly or indirectly: own any interest in, operate, join, control or participate as a partner, director, principal, officer or agent of, enter into the employment of, act as a consultant to, or perform any services for, any entity which has material operations which compete with any business in which Hat World, Inc. or any of its subsidiaries was engaged or, to the then existing knowledge of Employee, proposed to engage as of the end of the Transition Period, including, without limitation, Academy, Ltd., Dick’s Sporting Goods, Inc., Fanatics 101, Inc., and The Sports Authority, Inc. (each a “Competing Entity”) (provided that Employee may, solely as an investment, hold not more than five percent (5%) of the combined voting securities of any publicly-traded corporation that is a Competing Entity); and

(b) Absent prior written consent of the CEO, during the twenty-four month period following the Transition Start Date (the “Non-Solicit Restricted Period”), Employee shall not, directly or indirectly (i) solicit or do business with any customer (other than retail customers), client, supplier or business partner (limited to product lines or divisions which actually did business with Hat World, Inc.) of (a) Hat World, Inc. or any of its subsidiaries (other than on behalf of the Company) with respect to any business in which Hat World, Inc. or any of its subsidiaries is then engaged or, to the then existing knowledge of Employee, proposed to engage as of the end of the Transition Period, or (b) any business of the Company or any of its subsidiaries with which Employee had actual involvement or substantial knowledge within the 24 months preceding the Transition Start Date; or (ii) hire, or induce or encourage to leave the employ of the Company or any of its subsidiaries, any employee of the Company or any of its subsidiaries, or hire any individual who has been employed by the Company or any of its subsidiaries within the six months preceding the date of hire.

The foregoing covenants and agreements of Employee are referred to herein as the “Restrictive Covenants.” Employee acknowledges that he has carefully read and considered the provisions of the Restrictive Covenants and, having done so, agrees that the restrictions set forth in this Section 4.1, including without limitation the time periods of restriction set forth above, are fair and reasonable and are reasonably required for the protection of the legitimate business and economic interests of the Company. Employee further acknowledges that the Company would not have entered into this Agreement absent Employee’s agreement to the foregoing.

In the event that, notwithstanding the foregoing, any of the provisions of this Section 4.1 or any parts hereof shall be held to be invalid or unenforceable, the remaining provisions or parts hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable portions or parts had not been included herein. In the event that any provision of this Section 4.1 relating to the time period and/or the area of restriction and/or related aspects shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period and/or area of restriction and/or related aspects deemed reasonable and enforceable by such court shall become and thereafter be the maximum restrictions in such regard, and the provisions of the Restrictive Covenant shall remain enforceable to the fullest extent deemed reasonable by such court.

4.2 **Confidentiality and Non-Disclosure.** Employee acknowledges that, by nature of his past and future employment with the Company, Employee has had access to, and will continue to have access to, Proprietary Information of the Company. For the duration of the Term and at all times thereafter, Employee shall hold in strictest confidence and will not disclose any of the Company’s Proprietary Information, except as otherwise required in connection with Employee’s work for the Company or as otherwise required by law or court order or as permitted in writing by a duly authorized officer of the Company. “Proprietary Information” shall include without limitation all: trade secrets, business plans or models (whether for existing, new, or developing businesses), financial information, employee data, operating data, customer lists, prospective customer lists, vendor or supplier lists, pricing and cost information, marketing information, product information, research information, or Company designs and techniques, whether communicated

## Exhibit (10)q

orally or in documentary or other tangible form, to the extent such information is not publicly available. The Parties recognize that the Company has invested considerable amounts of time and money in attaining and developing all of the information described above, and any unauthorized disclosure or release of such Proprietary Information in any form would irreparably harm the Company.

Employee further acknowledges that Employee has received, and in the future will receive, from third parties confidential or proprietary information which is not publicly available ("Third Party Information"), which Employee shall also hold in the strictest confidence and not disclose, except in connection with Employee's work for the Company or as otherwise required by law or court order or as permitted in writing by a duly authorized officer of the Company.

Upon the Termination Date (or earlier as may be directed by the CEO), Employee covenants to return all Proprietary Information and Third Party Information to the CEO, in whatever format (electronic or otherwise), and Employee covenants not to keep, but rather destroy, any copy of such information in any form following the Termination Date.

4.3 **New Employment.** The parties acknowledge that Employee may obtain other employment during the Term in addition to his employment with the Company, on the condition that: 1) such employment does not breach the Restrictive Covenants in this Section 4; and 2) Employee provides the Company thirty days written notice prior to beginning such employment and the Company approves such employment in writing (with such approval being in the Company's sole discretion). Employee further agrees that if Employee obtains new employment (whether during or up to 24 months after the Term), the Company may notify Employee's new employer(s) of Employee's obligations under this Agreement.

### SECTION 5. GENERAL PROVISIONS

5.1 **Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Tennessee, without regard to its conflict of laws principles.

5.2 **Jurisdiction.** Each party hereby irrevocably submits in any suit, action or proceeding arising out of or related to this Agreement or any of the transactions contemplated hereby to the jurisdiction of the United States District Court for the Middle District of Tennessee and the jurisdiction of the Chancery Court of the State of Tennessee sitting in Davidson County, and irrevocably waives any immunity from the jurisdiction of such courts and any claim of improper venue, forum non conveniens, or any similar objection which it might otherwise be entitled to raise in any such suit, action, or proceeding.

5.3 **Enforcement/Remedies/Attorney's Fees.** The Parties hereto agree that money damages alone would not be an adequate remedy for any breach of this Agreement. Therefore, in the event of a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in its favor, apply to an applicable court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions hereof (without proving monetary damages or posting a bond or other security). Employee agrees that, in any action seeking specific performance or other equitable relief, he will not assert or contend that any of the provisions of the Restrictive Covenants are unreasonable or otherwise unenforceable. Employee agrees that the existence of any claim or cause of action by the Employee, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of the Restrictive Covenants. Employee agrees that the Company has the right to have the Non-Compete Restricted Period and the Non-Solicit Restricted Period, as applicable, extended by the amount of time equivalent to the time that Employee is in breach of the Restrictive Covenants. In the event that Employee is found by a Court of competent jurisdiction to have

**Exhibit (10)q**

breached the Restrictive Covenants, Employee agrees that the Company may recover from him the reasonable costs incurred in preventing or remedying such breach, including but not limited to attorneys' fees. Employee further agrees that should he be found to have breached any of the Restrictive Covenants, he will return to the Company seventy percent (70%) of the Resignation Payment and seventy percent (70%) of the Severance Payment as paid in accordance with Sections 2.1.1 and 2.1.3, respectively, without prejudice to the Company's right to obtain injunctive relief and any further damages to which it may show itself entitled.

5.4 **Waiver of Breach.** The waiver by a party of any breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach of the same or any other provision hereof by that party.

5.5 **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision. The Parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court or arbitrator of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court or arbitrator may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

5.6 **Entire Agreement: Amendments.** This Agreement forms the entire agreement of the parties and supersedes any prior agreements between them with respect to the subject matter hereof. The Parties agree that the Employment Protection Agreement dated October 25, 2006, and amended March 20, 2010, by and between the Company and Employee, is hereby terminated and of no further force and effect.

5.7 **Amendment, Modification or Waiver.** No provision of this Agreement may be amended or waived, unless such amendment or waiver is agreed to in writing, signed by Employee and by a duly authorized officer of the Company. No waiver by any party hereto of any breach by another party hereto of any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

5.8 **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties, their successors and their permitted assigns; provided that Employee shall not assign his rights, duties or obligations hereunder.

5.9 **Notice.** Any notice to be given hereunder will be in writing and will be deemed given when delivered personally, sent by courier or facsimile or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice hereunder in writing:

To Employee at:

Kenneth Kocher  
11552 Ridge Valley Court  
Zionsville, IN 46077

To the Company at:

Genesco Inc.  
1415 Murfreesboro Pike  
Suite 240  
Nashville, TN 37217-2835  
Attention: Chief Executive Officer  
Facsimile: (615) 367-7073

## Exhibit (10)q

5.10 **Withholding.** All payments to Employee under this Agreement will be reduced by all applicable withholding required by federal, state or local law.

5.11 **Survival.** The provisions of Sections 1.3, 1.4, 4.1, 4.2 and Section 5.1 through 5.13 hereof, as well as Exhibit A and Exhibit B and the applicable consideration required thereby under Sections 2.1.1 and 2.1.3, shall survive the termination for any reason or expiration of this Agreement for the period described or referenced in each such Section or, if no period is described or referenced in such Section, indefinitely.

5.12 **Counterparts.** This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

5.13 **Section 409A.** By accepting this Agreement, Employee hereby agrees and acknowledges that the Company does not make any representations with respect to the application of Section 409A of the Code to any tax, economic, or legal consequences of any payments payable to Employee hereunder. Further, by the acceptance of this Agreement, Employee acknowledges that (i) Employee has obtained independent tax advice regarding the application of Section 409A of the Code to the payments due to Employee hereunder, (ii) Employee retains full responsibility for the potential application of Section 409A of the Code to the tax and legal consequences of payments payable to Employee hereunder and (iii) the Company shall not indemnify or otherwise compensate Employee for any violation of Section 409A of the Code that may occur in connection with this Agreement. The Parties agree that, to the extent applicable, this Agreement shall be interpreted and administered in accordance with Section 409A of the Code and that the Parties will cooperate in good faith to amend such documents and to take such actions as may be necessary or appropriate to comply with Section 409A of the Code.

Notwithstanding any other provision of this Agreement to the contrary, to the extent any payments made under this Agreement are treated as non-qualified deferred compensation subject to Section 409A of the Code, then (a) no payments to be made under this Agreement following the Employee's termination of employment shall be made unless the Employee's termination of employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (b) if Employee is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of any payments upon the Employee's separation from service to which Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the payments shall not be provided to Employee prior to the earlier of (x) the expiration of the six-month period measured from the date of the Employee's "separation from service" with the Company (as such term is defined in Section 1.409A-1(h) of the Treasury Regulations) or (y) the date of Employee's death. Upon the earlier of such dates, all payments deferred pursuant to this paragraph shall be paid in a lump sum to the Employee, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall be made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Section 1.409A-1(i) of the Treasury Regulations and any successor provision thereto).

*[Signature page follows]*

**Exhibit (10)q**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

**GENESCO INC.**

By: /s/ Robert J. Dennis

Title: Chairman, President & CEO

**EMPLOYEE**

/s/ Kenneth J. Kocher

Kenneth Kocher

## FORM OF GENERAL RELEASE

This Release (this "Release"), dated as of \_\_\_\_\_ is made by and among Kenneth Kocher ("Employee") and Genesco Inc. (the "Company") (collectively, the "Parties").

**WHEREAS**, the Parties entered into that certain Transition Agreement dated as of \_\_\_\_\_, 2016 (the "Agreement");

**WHEREAS**, pursuant to Section 2.1.1 of the Agreement and in consideration of the Company's willingness to enter into the Agreement and pay any amounts thereunder, it is an obligation of Employee that he executes and delivers this Release.

**NOW THEREFORE**, for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

- Employee Release.** In exchange for the mutual promises and obligations of the Agreement, which are expressly excluded from this Release, Employee fully and forever relieves, releases, and discharges Company and its predecessors, successors, subsidiaries, operating units, affiliates, and divisions, and the agents, representatives, officers, directors, shareholders, members, employees and attorneys (collectively, the "Released Parties") from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action, whether in law or in equity, whether known or unknown, whether suspected or unsuspected, and whether arising from or related in any way to Employee's employment and/or Employee's Resignation (as defined in the Agreement), including but not limited to any and all claims pursuant to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Equal Pay Act, **the Age Discrimination in Employment Act (ADEA), the Older Worker Benefit Protection Act**, the Americans with Disabilities Act (ADA), the Family and Medical Leave Act (FMLA), the Employee Retirement Income Security Act (ERISA), the National Labor Relations Act (NLRA), the Genetic Information Nondiscrimination Act (GINA), and all other federal, state or local laws or regulations which concern Employee's employment and which exist, or might exist, as of the date of the execution of this Release. This Release also includes, but is not limited to, a release by Employee of any claims for breach of contract, mental pain, suffering and anguish, emotional harm, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, wrongful termination, wrongful discharge in violation of public policy, wrongful demotion, breach of any express or implied covenant of good faith and fair dealing, claims that Company has dealt with Employee unfairly or in bad faith, and all other common law contract and tort claims. Employee understands that he is not waiving any rights or claims that may arise after this Release is signed by Employee. Furthermore, Employee understands that he is not giving up the right to file a Charge of Discrimination with the Equal Employment Opportunity Commission (EEOC). However, Employee is expressly releasing and waiving any right to obtain monetary or other relief relating to such a charge or subsequent lawsuit filed by the EEOC. Employee agrees to turn over to the Company any such monetary relief obtained by the EEOC (or any other third party) on behalf of the Employee for any claim waived herein.
- No Admission of Liability.** Employee acknowledges that nothing in this Release is intended to, shall constitute evidence of, or shall be construed as an admission by the Company that the Company violated any law, rule, or regulation, interfered with any right, breached any obligation, or otherwise engaged in any improper or illegal conduct.

## Exhibit (10)q

3. **No Current Claims; Covenant Not to Sue.** Employee represents and warrants that Employee has not filed any complaint(s) or charge(s) against the Company or the other Released Parties with the EEOC or the state commission empowered to investigate claims of employment discrimination, the United States Department of Labor, or with any other local, state, or federal agency or court. Employee further covenants and agrees that Employee shall forever refrain and forbear from initiating or participating as a party in a lawsuit attempting to enforce any of the claims that are released and discharged herein. Moreover, Employee agrees that he will not persuade or instruct any person to file a suit, claim, or complaint with any state or federal court or administrative agency against the Released Parties. Employee acknowledges that, in accordance with 29 C.F.R. § 1625.23(b) and other applicable law, this covenant not to sue does not prevent Employee from filing a charge of discrimination with the EEOC or otherwise participating in an EEOC or SEC investigation of the Company. This covenant not to sue also does not preclude Employee from bringing a lawsuit to challenge the validity of the release language contained in this Agreement. Should Employee violate this covenant, Employee shall be responsible for all of the Released Parties' costs incurred as a result of Employee's breach, including without limitation the Released Parties' attorneys' fees.
4. **Acknowledgement of Waiver of Claims under ADEA.** Employee acknowledges that he is waiving and releasing any rights he may have under **the ADEA or the Older Worker Benefit Protection Act** and that this waiver and release is knowing and voluntary. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that (a) he has been advised **that he should consult with an attorney** prior to executing this Release, (b) he has been given **twenty-one (21) days within which to consider this Release** before executing it, and (c) he has been given at least **seven (7) days** following the execution of this Release **to revoke this Release** (the "Revocation Period").
5. **Acknowledgment.** Employee acknowledges that he understands the terms of this Release and that Employee has executed this Release knowingly and voluntarily. Employee further acknowledges that, in consideration for the covenants and releases contained herein, he will receive benefits and payments described in the Agreement, and that he would not receive such benefits and payments without the execution of this Release. Employee also acknowledges that **this Release shall not become effective until the expiration of the Revocation Period.**
6. **Severability.** All provisions of this Release are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Release. The Parties further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court or arbitrator of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court or arbitrator may limit this Release to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Release as limited.
7. **Specific Performance.** If a court of competent jurisdiction determines that Employee has breached or failed to perform any part of this Release, the Employee agrees that Company shall be entitled to seek injunctive relief to enforce this Release, to the extent permitted by applicable law.
8. **No Waiver.** Should the Company fail to require strict compliance with any term or condition of this Agreement, such failure shall not be deemed a waiver of such terms or conditions, nor shall the Company's failure to enforce any right it may have preclude it from thereafter enforcing its rights under this Agreement.



**Exhibit (10)q**

9. **Attorneys' Fees.** The Parties agree that in the event it becomes necessary to seek judicial remedies for the breach or threatened breach of this Agreement, the prevailing party will be entitled, in addition to all other remedies, to recover from the non-prevailing party reasonable attorneys' fees and costs upon the entry of a final non-appealable judgment.

10. **Governing Law.** This Release shall be governed by and construed in accordance with the laws of the State of Tennessee without reference to principles of conflict of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

**GENESCO INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EMPLOYEE**

Kenneth Kocher

—

## FORM OF GENERAL RELEASE

This Release (this "Release"), dated as of \_\_\_\_\_, is made by and among Kenneth Kocher ("Kocher") and Genesco Inc. (the "Company") (collectively, the "Parties").

**WHEREAS**, the Parties entered into that certain Transition Agreement dated as of \_\_\_\_\_, 2016 (the "Agreement");

**WHEREAS**, pursuant to Section 2.1.3 of the Agreement and in consideration of the Company's willingness to enter into the Agreement and pay any amounts thereunder, it is an obligation of Kocher that he executes and delivers this Release.

**NOW THEREFORE**, for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

- Employee Release.** In exchange for the mutual promises and obligations of the Agreement, which are expressly excluded from this Release, Employee fully and forever relieves, releases, and discharges Company and its predecessors, successors, subsidiaries, operating units, affiliates, and divisions, and the agents, representatives, officers, directors, shareholders, members, employees and attorneys (collectively, the "Released Parties") from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action, whether in law or in equity, whether known or unknown, whether suspected or unsuspected, and whether arising from or related in any way to Employee's employment and/or Employee's Resignation (as defined in the Agreement), including but not limited to any and all claims pursuant to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Equal Pay Act, **the Age Discrimination in Employment Act (ADEA), the Older Worker Benefit Protection Act**, the Americans with Disabilities Act (ADA), the Family and Medical Leave Act (FMLA), the Employee Retirement Income Security Act (ERISA), the National Labor Relations Act (NLRA), the Genetic Information Nondiscrimination Act (GINA), and all other federal, state or local laws or regulations which concern Employee's employment and which exist, or might exist, as of the date of the execution of this Release. This Release also includes, but is not limited to, a release by Employee of any claims for breach of contract, mental pain, suffering and anguish, emotional harm, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, wrongful termination, wrongful discharge in violation of public policy, wrongful demotion, breach of any express or implied covenant of good faith and fair dealing, claims that Company has dealt with Employee unfairly or in bad faith, and all other common law contract and tort claims. Employee understands that he is not waiving any rights or claims that may arise after this Release is signed by Employee. Furthermore, Employee understands that he is not giving up the right to file a Charge of Discrimination with the Equal Employment Opportunity Commission (EEOC). However, Employee is expressly releasing and waiving any right to obtain monetary or other relief relating to such a charge or subsequent lawsuit filed by the EEOC. Employee agrees to turn over to the Company any such monetary relief obtained by the EEOC (or any other third party) on behalf of the Employee for any claim waived herein.
- No Admission of Liability.** Employee acknowledges that nothing in this Release is intended to, shall constitute evidence of, or shall be construed as an admission by the Company that the Company violated any law, rule, or regulation, interfered with any right, breached any obligation, or otherwise engaged in any improper or illegal conduct.

## Exhibit (10)q

3. **No Current Claims; Covenant Not to Sue.** Employee represents and warrants that Employee has not filed any complaint(s) or charge(s) against the Company or the other Released Parties with the EEOC or the state commission empowered to investigate claims of employment discrimination, the United States Department of Labor, or with any other local, state, or federal agency or court. Employee further covenants and agrees that Employee shall forever refrain and forbear from initiating or participating as a party in a lawsuit attempting to enforce any of the claims that are released and discharged herein. Moreover, Employee agrees that he will not persuade or instruct any person to file a suit, claim, or complaint with any state or federal court or administrative agency against the Released Parties. Employee acknowledges that, in accordance with 29 C.F.R. § 1625.23(b) and other applicable law, this covenant not to sue does not prevent Employee from filing a charge of discrimination with the EEOC or otherwise participating in an EEOC or SEC investigation of the Company. This covenant not to sue also does not preclude Employee from bringing a lawsuit to challenge the validity of the release language contained in this Agreement. Should Employee violate this covenant, Employee shall be responsible for all of the Released Parties' costs incurred as a result of Employee's breach, including without limitation the Released Parties' attorneys' fees.
4. **Acknowledgement of Waiver of Claims under ADEA.** Employee acknowledges that he is waiving and releasing any rights he may have under the ADEA or the Older Worker Benefit Protection Act and that this waiver and release is knowing and voluntary. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that (a) he has been advised that he should consult with an attorney prior to executing this Release, (b) he has been given twenty-one (21) days within which to consider this Release before executing it, and (c) he has been given at least seven (7) days following the execution of this Release to revoke this Release (the "Revocation Period").
5. **Acknowledgment.** Employee acknowledges that he understands the terms of this Release and that Employee has executed this Release knowingly and voluntarily. Employee further acknowledges that, in consideration for the covenants and releases contained herein, he will receive benefits and payments described in the Agreement, and that he would not receive such benefits and payments without the execution of this Release. Employee also acknowledges that this Release shall not become effective until the expiration of the Revocation Period.
6. **Severability.** All provisions of this Release are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Release. The Parties further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court or arbitrator of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court or arbitrator may limit this Release to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Release as limited.
7. **Specific Performance.** If a court of competent jurisdiction determines that Employee has breached or failed to perform any part of this Release, the Employee agrees that the Company shall be entitled to seek injunctive relief to enforce this Release, to the extent permitted by applicable law.
8. **No Waiver.** Should the Company fail to require strict compliance with any term or condition of this Agreement, such failure shall not be deemed a waiver of such terms or conditions, nor shall the Party's failure to enforce any right it may have preclude it from thereafter enforcing its rights under this Agreement.

**Exhibit (10)q**

9. **Attorneys' Fees.** The Parties agree that in the event it becomes necessary to seek judicial remedies for the breach or threatened breach of this Agreement, the prevailing party will be entitled, in addition to all other remedies, to recover from the non-prevailing party reasonable attorneys' fees and costs upon the entry of a final non-appealable judgment.

10. **Governing Law.** This Release shall be governed by and construed in accordance with the laws of the State of Indiana without reference to principles of conflict of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

**GENESCO INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EMPLOYEE**

Kenneth Kocher

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## SUBSIDIARIES OF THE REGISTRANT

**Subsidiaries of the Company:****Names of Subsidiary**<sup>(1)</sup> **Incorporation****Place of**

Flagg Bros. of Puerto Rico, Inc.	Delaware
Genesco Brands, LLC	Delaware
GVI, Inc.	Delaware
Hat World Corporation	Delaware
GCO Canada Inc.	Canada
Hat World, Inc.	Minnesota
Hat World Services Co., Inc.	Delaware
Keuka Footwear, Inc.	Delaware
Lids Properties, LLC	Delaware
Nashville Sporting Goods, LLC	Tennessee
SIOPA Sports of America, LLC (50% owned)	Delaware
Genesco (UK) Limited	United Kingdom
Lids Retail Limited	United Kingdom
Schuh Group Limited	United Kingdom
Schuh (Holdings) Limited	United Kingdom
Schuh Limited	United Kingdom
Schuh (ROI) Limited	Republic of Ireland
Genesco Schuh GmbH	Germany
Genesco GP, LLC	United Kingdom
Genesco Scot LP	United Kingdom
<u>Genesco (Jersey) Limited</u>	<u>Jersey</u>

(1) Except as otherwise indicated, 100% of the equity of each listed subsidiary is owned either by the registrant or by a wholly-owned subsidiary of the registrant.

**POWER OF ATTORNEY**

The undersigned directors of Genesco Inc., a Tennessee corporation (“Genesco”), do hereby constitute and appoint Roger G. Sisson and Mimi E. Vaughn, and any one of them, to act severally as attorneys-in-fact for and in their respective names, places and steads, with full power of substitution, to execute, sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of Genesco for the fiscal year ended January 30, 2016, and any and all amendments thereto; granting to said attorneys-in-fact, and each of them, full power and authority to do and perform every act and thing whatsoever requisite or necessary to be done in and about the premises as fully to all intents and purposes as the undersigned or any of them might or could do if personally present, and the undersigned do hereby ratify and confirm all that said attorney-in-fact or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Executed this 3rd day of March, 2016

/s/Joanna Barsh    /s/Matthew C. Diamond  
Joanna Barsh, Director    Matthew C. Diamond, Director

/s/James S. Beard    /s/Marty G. Dickens  
James S. Beard, Director    Marty G. Dickens, Director

/s/Leonard L. Berry    /s/Thurgood Marshall, Jr.  
Leonard L. Berry, Director    Thurgood Marshall, Jr., Director

/s/William F. Blaufuss    /s/Kathleen Mason  
William F. Blaufuss, Jr., Director    Kathleen Mason, Director

/s/James W. Bradford    /s/Kevin P. McDermott  
James W. Bradford, Director    Kevin P. McDermott, Director

/s/Robert J. Dennis    /s/David M. Tehle  
Robert J. Dennis, Director    David M. Tehle, Director

## CERTIFICATIONS

I, Robert J. Dennis, certify that:

1. I have reviewed this annual report on Form 10-K of Genesco Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2016

/s/ Robert J. Dennis

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Robert J. Dennis

Chief Executive Officer

## CERTIFICATIONS

I, Mimi E. Vaughn, certify that:

1. I have reviewed this annual report on Form 10-K of Genesco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2016

/s/ Mimi E. Vaughn

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Mimi E. Vaughn

Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Genesco Inc. (the "Company") on Form 10-K for the period ending January 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Dennis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Dennis

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Robert J. Dennis  
Chief Executive Officer  
March 30, 2016

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Genesco Inc. (the "Company") on Form 10-K for the period ending January 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mimi E. Vaughn, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mimi E. Vaughn  
Mimi E. Vaughn  
Chief Financial Officer  
March 30, 2016