

(Mark One)
FORM 10-K
Annual Report Pursuant To
Section 13 or 15(d) of theSecurities Exchange Act of 1934
[Fee Required]
For the Fiscal Year Ended
January 31, 1996Transition Report Pursuant To
Section 13 or 15(d) of the
Securities Exchange Act of 1934
[No Fee Required]Securities and Exchange Commission
Washington, D.C. 20549
Commission File No. 1-3083-----
GENESCO INC.
A Tennessee Corporation
I.R.S. No. 62-0211340
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SECURITIES REGISTERED PURSUANT TO SECTION 12(b)

TITLE	EXCHANGES ON WHICH REGISTERED
Common Stock, \$1.00 par value	New York and Chicago
Preferred Share Purchase Rights	New York and Chicago
10 3/8% Senior Notes due 2003	New York

SECURITIES REGISTERED PURSUANT TO SECTION 12(g)

Subordinated Serial Preferred Stock, Series 1
Employees' Subordinated Convertible Preferred Stock-----
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the June 26, 1996 annual meeting of shareholders are incorporated into Part III by reference.

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 and (2) has been subject to such filing requirements for the past 90 days. Yes No -----
Common Shares Outstanding April 19, 1996 - 24,423,172
Aggregate market value on April 19, 1996 of the voting stock held by nonaffiliates of the registrant was approximately \$135,000,000.

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PART I

ITEM 1, BUSINESS

GENERAL

Genesco Inc. ("Genesco" or the "Company") manufactures, markets and distributes branded men's and women's shoes and boots. The Company's owned and licensed footwear brands sold through both wholesale and retail channels of distribution include Johnston & Murphy, Dockers and Nautica shoes and Laredo, Code West and Larry Mahan boots.

Products of Genesco's ongoing operations are sold at wholesale to more than 5,000 retailers, including a number of leading department, discount and specialty stores, and at retail through the Company's own network of 463 retail shoe stores and leased shoe departments. Genesco products are supplied from the Company's own manufacturing facilities as well as a variety of overseas and domestic sources.

Genesco's ongoing operations operate in one business segment, footwear. References to Fiscal 1992, 1993, 1994, 1995 or 1996 are to the Company's fiscal year ended on January 31 of each such year. For further information on the Company's business segment, see Note 19 to the Consolidated Financial Statements included in Item 8 and Management's Discussion and Analysis of Financial Condition and Results of Operations. Prior to its discontinuation pursuant to the 1995 Restructuring (defined below), the Company's business included operations in a men's apparel segment. 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.

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

The 1995 Restructuring provided for the following:

1995 Restructuring Charge

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

1995 Restructuring Provision

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

The transactions provided for in the 1995 Restructuring were substantially complete as of January 31, 1996 and the Company does not expect any material future adjustments arising from the completion of the 1995 Restructuring. The divestiture of the University Brands business was completed in February 1995. The operations of The Greif Companies have ceased, its inventories and equipment have been liquidated and its last major remaining long-term lease liability was resolved in June 1995. The Company's GCO Apparel Corporation was sold in June 1995. The Company's Mitre Sports soccer business was sold in August 1995.

See Note 2 to the Consolidated Financial Statements and "Significant Developments" in Management's Discussion and Analysis of Financial Condition and Results of Operations for information regarding the restructuring and the financial effects thereof.

FOOTWEAR

Wholesale

The Company distributes its footwear products at wholesale to more than 5,000 retailers, including independent shoe merchants, department stores, mail order houses and other retailers. Substantially all of the Company's wholesale footwear sales are Genesco-owned or -licensed brands.

Johnston & Murphy. High-quality men's shoes have been sold under the Johnston & Murphy name for more than 100 years. The Company believes Johnston & Murphy traditionally-styled dress shoes and contemporary dress casual shoes enjoy a reputation for quality craftsmanship, durability and comfort. Representative suggested retail prices for Johnston & Murphy shoes are \$135 to \$235. Because the Company believes that the market for casual and contemporary styles will grow more rapidly than the market for traditional dress styles, in Fiscal 1994 the Company introduced a new J. Murphy line of casual and dress casual men's shoes aimed at a younger consumer. Representative suggested retail prices for J. Murphy shoes are \$90 to \$135. The Company further expanded its high-quality product offerings in Fiscal 1994 by introducing a new line of contemporary, European-styled men's dress shoes under the Domani label. Representative suggested retail prices for Domani shoes are \$175 to \$225.

Laredo, Code West and Larry Mahan. Since 1976 the Company has manufactured traditional western-style boots for men, women and children. Laredo boots are targeted to people who wear boots for both work and recreation and are sold primarily through independent retail outlets, predominantly western boot shops. Representative suggested retail prices for Laredo boots are \$65 to \$150. In 1988 the Company created the Code West brand to enter the fashion segment of the boot market. Code West styles are western-influenced fashion and contemporary boots for men and women and are offered with distinctive detailing and non-traditional colors. Code West boots, sold primarily through department stores, boutiques and western boot shops, have representative suggested retail prices of \$110 to \$150. In 1997 the Company will introduce a new boot under the Larry Mahan label. This line features western-styling handcrafted 3/4 welt construction and is targeted towards the premium boot category. Larry Mahan Boots will be sold internationally as well as through better western retailers across the United States. Representative suggested retail prices for Larry Mahan boots will be \$150 to \$350.

Dockers. In 1991 Levi Strauss & Co. granted the Company the exclusive license to market footwear under the Dockers brand name in the United States. Dockers shoes are marketed through many of the same stores that carry Dockers slacks and sportswear. In the fall of 1994 the Company redesigned the Dockers line and lowered price points to broaden the appeal of this line of men's casual shoes. Representative suggested retail prices for Dockers footwear are \$59 to \$79.

Nautica. Genesco acquired the exclusive worldwide license to market Nautica footwear in 1991. In 1992 the Company introduced a new line of casual footwear under the Nautica label,

targeted at young, active, upper-income consumers and designed to complement Nautica sportswear. The Company will introduce a boys' line of Nautica footwear in the Fall of Fiscal 1997. Representative suggested retail prices of Nautica footwear are \$39 to \$150.

Retail

At January 31, 1996 the Company operated 463 stores and leased departments throughout the United States and Puerto Rico selling footwear for men, women or both. The following table sets forth certain information concerning the Company's footwear retailing operations:

	RETAIL STORES		LEASED DEPARTMENTS	
	JAN. 31, 1995	JAN. 31, 1996	JAN. 31, 1995	JAN 31, 1996
Johnston & Murphy	109	108	7	7
Jarman	138	135	83	82
Journeys	89	92	-	-
Hardy	2	1	-	-
Boot Factory	33	29	-	-
Factory To You	10	9	-	-
Suits & Shoes	6	-	-	-
University Brands	-	-	21(1)	-
	---	---	---	---
Total	387	374	111	89
	===	===	===	==

(1) The University Brands leased departments discontinued operations in February 1995 as part of the 1995 Restructuring.

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

	FISCAL 1992	FISCAL 1993	FISCAL 1994	FISCAL 1995	FISCAL 1996
Retail Stores and Leased Departments					
Beginning of year	613	575	540	518	498
Opened during year	26	24	26	52	21
Closed during year	(64)	(59)	(48)	(72)	(56)
	---	---	---	---	---
End of year	575	540	518	498	463
	===	===	===	===	===

During Fiscal 1996 Genesco opened 21 stores and closed 34 stores and 22 leased departments, 21 of which related to the Company's University Brands division. The Company is planning to open 48 stores and to close 15 stores and leased departments in Fiscal 1997. Actual store closings and store openings will depend upon store operating results, the availability of suitable locations, lease negotiations and other factors.

Johnston & Murphy. Johnston & Murphy's retail outlets sell a broad range of men's dress and casual footwear and accessories to affluent business and professional consumers. Johnston &

Murphy stores carry predominantly Johnston & Murphy brand shoes. Of the 108 Johnston & Murphy stores at January 31, 1996, 18 were factory outlet stores.

Jarman. The Company's Jarman stores and the Jarman leased departments target male consumers ages 25 to 45 and sell footwear in the middle price ranges. Most shoes sold in Jarman stores are branded merchandise of other shoe companies. Jarman leased departments, all of which are located in department stores of a major, unaffiliated retail company, carry primarily branded merchandise of other shoe companies and do not operate under the Jarman trade name.

Journeys. Journeys stores target shoe buyers in the 13-22 year age group with fashion merchandise, using popular music videos and youth oriented decor to attract their customer base. Journeys stores carry predominantly branded merchandise of other shoe companies.

Boot Factory; Factory to You. The Company's 29 Boot Factory outlet stores, located primarily in the southeastern United States, sell primarily the Company's Laredo and Code West lines of boots. Factory To You stores, located primarily in the southeastern United States, sell mainly factory damaged, overrun and close-out footwear products.

Manufacturing and Sourcing

The Company sources its footwear product from its own domestic manufacturing facilities and from a variety of overseas and domestic sources. The Company imports shoes, component parts and raw materials from the Far East, Latin America and Europe. Genesco manufactures footwear in four facilities in the southeastern United States. During Fiscal 1996, approximately 58% of the footwear products manufactured by the Company were men's, 36% were women's and 6% were children's. Approximately 82% of the Company-manufactured footwear products were sold at wholesale, and 18% at retail through stores and leased departments operated by the Company. The estimated productive capacity of the U.S. footwear plants was approximately 82% utilized in Fiscal 1996. The Company believes that its ability to manufacture footwear in its own plants can provide better quality assurance with respect to certain products and, in some cases, reduce inventory risks and long lead times associated with imported footwear. The Company balances these considerations against the cost advantage of importing footwear products.

The Company also conducts leather tanning and finishing operations in two manufacturing facilities located in Michigan and Tennessee. Approximately 6% of tanned leather products sold in Fiscal 1996 were for internal use, and the balance was sold to military boot manufacturers and other unaffiliated customers.

MEN'S APPAREL

On November 3, 1994 the Company's board of directors approved a plan to exit the entire men's apparel segment. See Note 2 to the Consolidated Financial Statements and "Significant Developments" in Management's Discussion and Analysis of Financial Condition and Results of Operations for information regarding the plan and the financial effects thereof.

COMPETITION

The Company operates in a highly competitive market in footwear. Retail footwear competitors range from small, locally-owned shoe stores to regional and national department and discount

stores and specialty chains. The Company competes with hundreds of footwear wholesale and manufacturing operations in the United States and throughout the world, most of which are relatively smaller, specialized operations but some of which are larger, more diversified companies. Manufacturers in foreign countries with lower labor costs have a significant price advantage.

LICENSES

The Company owns its Johnston & Murphy, Laredo and Code West footwear brands. The Nautica and Dockers brand footwear lines, introduced in Fiscal 1993, are sold under license agreements which expire January 31, 2002 and June 30, 2001, respectively, with a renewal option for Nautica that expires in 2007. The Larry Mahan boots, which will be introduced in Fiscal 1997, are sold under a license agreement whose initial term expires January 31, 2000 with renewal options that extend through 2025. Licensed products are generally designed by the Company and submitted to the licensor for approval.

The Company's renewal options under its license agreements for footwear brands are generally conditioned upon the Company's meeting certain minimum sales requirements. Management expects to be able to further renew the Nautica license agreement.

Sales of licensed products of ongoing operations were approximately \$37 million in Fiscal 1996 and approximately \$31 million in the previous year.

The Company licenses certain of its footwear brands, mostly in foreign markets. License royalty income was not material in Fiscal 1996.

RAW MATERIALS

Genesco is not dependent upon any single source of supply for any major raw material. In Fiscal 1996 the Company experienced no significant shortages of raw materials in its principal businesses. The Company considers its available raw material sources to be adequate.

BACKLOG

On March 31, 1996, the Company's ongoing footwear wholesale operations (including leather tanning operations), which accounted for 40% of continuing operations' sales in Fiscal 1996, had a backlog of orders, including unconfirmed customer purchase orders, amounting to approximately \$33.1 million, compared to approximately \$30.0 million on March 31, 1995. Most orders are for delivery within 90 days. Therefore, the backlog at any one time is not necessarily indicative of future sales for an extended period of time. The backlog is somewhat seasonal, reaching a peak in the spring. Footwear companies maintain in-stock programs for selected anticipated high volume styles.

EMPLOYEES

Genesco had approximately 3,750 employees at January 31, 1996 including approximately 870 part-time employees. Retail shoe stores employ a substantial number of part-time employees during peak selling seasons. Approximately 90 employees of the Company's tanning operations are covered by a collective bargaining agreement, which will expire May 31, 1998. Of the Company's 3,750 employees, approximately 3,650 were employed in footwear and 100 in corporate staff departments. See "Significant Developments - Fiscal 1995 Restructuring" included in Management's Discussion and Analysis of Financial Condition and Results of Operations for information regarding the Company's elimination of all the tailored clothing jobs

and the job eliminations in footwear operations to be divested or consolidated and in staff positions to be eliminated.

PROPERTIES

The Company operates six footwear manufacturing and five warehousing facilities, substantially all of which are leased, aggregating 1,600,000 square feet. The eleven facilities are located in three states in the United States.

The Company's executive offices and the offices of its footwear operations are in a 295,000 square foot leased building in Nashville, Tennessee.

See the discussion of the footwear segment for information regarding the Company's retail stores. New shopping center store leases typically are for a term of seven to 10 years and new factory outlet leases typically are for a term of five years and both typically provide for rent based on a percentage of sales against a fixed minimum rent based on the square footage leased. The Company's leased departments are operated under agreements which are generally terminable by department stores upon short notice.

Leases on the Company's plants, offices and warehouses expire from 1996 to 2018, not including renewal options. The Company believes that all leases (other than long-term leases) of properties that are material to its operations may be renewed on terms not materially less favorable to the Company than existing leases. See Note 11 to the Consolidated Financial Statements included in Item 8 for information about commitments under capital and operating leases.

ENVIRONMENTAL MATTERS

The Company is subject to federal, state, local and foreign laws, regulations and ordinances that (i) govern activities which may have adverse environmental effects, such as discharges to air or water as well as the handling and disposal of solid and hazardous wastes, or (ii) impose liability for the costs of cleaning up, and damages resulting from, past spillage, disposal or other releases of hazardous substances (together, "Environmental Laws"). The Company uses and generates, and in the past has used and generated, certain substances and wastes that are regulated or may be deemed hazardous under applicable Environmental Laws. The Company is and has been involved in proceedings regarding several sites with respect to which it is alleged that the Company sent certain waste material in the past. See Item 3, "Legal Proceedings," for a discussion of certain of such pending matters.

ITEM 2, PROPERTIES

See Item 1.

ITEM 3, LEGAL PROCEEDINGS

New York State Environmental Proceedings

The Company is a defendant in two separate civil actions filed by the State of New York; one against the City of Gloversville, New York, and 33 other private defendants and the other against the City of Johnstown, New York, and 14 other private defendants. In addition, third party complaints and cross claims have been filed against numerous other entities, including the Company, in both actions. These actions arise out of the alleged disposal of certain hazardous

material directly or indirectly in municipal landfills. The complaints in both cases allege the defendants, together with other contributors to the municipal landfills, are liable under a federal environmental statute and certain common law theories for the costs of investigating and performing remedial actions required to be taken with respect to the landfills and damages to the natural resources.

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

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

In November 1995 the Company responded to a request for information dated October 23, 1995 from the New York State Department of Environmental Conservation (the "Department") regarding the site of a knitting mill operated by the Company or a former subsidiary from 1965 to 1969. The Company has received notice from the Department that it deems remedial action to be necessary with respect to certain contaminants in the vicinity of the facility. The owner of the site has advised the Company that it intends to hold the Company responsible for any required remediation or other damages incident to the contamination. The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility and is unable to predict whether its liability in this connection, if any, will have a material effect on its financial condition or results of operations.

Whitehall Environmental Sampling

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

Michigan Wastewater Permit Litigation

The Company, through its Volunteer Leather division and several other industrial users of the Muskegon County Wastewater System are plaintiffs in an action against Muskegon County challenging the ordinance under which wastewater permits have been issued. The action and a companion case challenging the provisions of the Company's wastewater permit are pending in the Circuit Court of Muskegon County, Michigan. The Court has temporarily enjoined the County from taking any action against the plaintiffs for violations of the ordinance or the permit, pending the outcome of the litigation. In the event that the litigation is resolved against the Company, its Whitehall, Michigan tanning facility would be required to incur certain costs to bring itself into compliance with the permit and ordinance. Management is currently unable to predict whether such an outcome will occur and, if it does, the magnitude of the costs or their materiality to the Company's financial condition or results of operations.

Preferred Shareholder Action

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

Texas Interference Action

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

ITEM 4, SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of Fiscal 1996.

EXECUTIVE OFFICERS OF GENESCO

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 qualify. 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:

DAVID M. CHAMBERLAIN, 52, Chairman, President and Chief Executive Officer of Genesco. Mr. Chamberlain was elected president and chief executive officer in October 1994 and chairman as of February 1, 1995. Mr. Chamberlain joined Shaklee Corporation, a manufacturer and marketer of consumer products, in 1983 as president and chief operating officer, was elected a director in 1983 and served as chief executive officer from 1985 until 1993. He was chairman of Shaklee Corporation from 1989 until May 1994, when he became a partner in Consumer Focus Partners, a California venture capital firm. Prior to 1983 he was senior vice president and group executive of Nabisco Brands Ltd., Canada. He has been a director of Genesco since 1989.

T. NEALE ATTENBOROUGH, 36, Executive Vice President - Operations. Mr. Attenborough joined the Company in 1994 as president of Laredo Boot company, a position he retains until a new president is named. During the Company's restructuring program, Mr. Attenborough oversaw the management of Genesco's now divested Mitre Sports International business. He was named executive vice-president - operations in January 1996 and will oversee the Company's Johnston & Murphy, Dockers Footwear, Laredo Boot Company and manufacturing operations. Before joining the Company, Mr. Attenborough was a vice president of the recreational products division at Boston Whaler Inc.

BEN T. HARRIS, 52, Executive Vice President - Operations. Mr. Harris joined the Company in 1961 and in 1987 was named director of the leased department division of the Jarman Shoe Company. In 1991, he was named president of the Jarman Shoe Company. In 1995, he was named president of Retail Footwear, which includes the Jarman Shoe Company, Journeys, Boot Factory and Factory to You. He was named executive vice president - operations in January 1996. In addition to the Company's retail operations, Mr. Harris will also oversee the Nautica Footwear Division.

JAMES S. GULMI, 50, Senior Vice President - Finance, Treasurer and Chief Financial Officer. Mr. Gulmi was employed by Genesco in 1971 as a financial analyst, appointed assistant treasurer in 1974 and named treasurer in 1979. He was elected a vice president in 1983 and assumed the responsibilities of chief financial officer in 1986. He was again elected treasurer in February 1995. He was appointed senior vice president - finance in January 1996.

JAMES W. BOSCAMPT, 46, Senior Vice President. Mr. Boscamp joined the Company in 1991 as president of Nautica Footwear. He was appointed senior vice president of the Company in January 1996. Before joining the Company, Mr. Boscamp was executive vice president, marketing at Munsingwear.

FOWLER H. LOW, 64, Senior Vice President. Mr. Low has 40 years of experience in the footwear industry, including 33 years with Genesco. He rejoined Genesco in 1984 after serving as vice president of sales and marketing for G. H. Bass, a division of Chesebrough-Pond's Inc. He was appointed president of the footwear manufacturing and wholesale group in 1988 and was appointed chairman of Johnston & Murphy in February 1991. He was appointed senior vice president in January 1996.

STEVEN E. LITTLE, 54, Vice President - Administration. Mr. Little has served in various human resources and operations management roles during his 31 year tenure with Genesco. Mr. Little was named vice president - human resources in 1994 and assumed his present responsibilities in December 1994.

ROGER G. SISSON, 32, Secretary and General Counsel. Mr. Sisson joined the Company in January 1994 as assistant general counsel and was elected secretary in February 1994. He was named general counsel in January 1996. Before joining the Company, Mr. Sisson was associated with the firm of Boulton, Cummings, Conners & Berry for approximately six years.

PAUL D. WILLIAMS, 41, 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.

PART II

ITEM 5, MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED
STOCKHOLDER MATTERS

The Company's common stock is listed on the New York Stock Exchange (Symbol: GCO) and the Chicago Stock Exchange. 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 ----
1994 1st Quarter	11 1/2	8 3/4
2nd Quarter	11 1/2	6 7/8
3rd Quarter	9 1/4	5 3/4
4th Quarter	6 7/8	4
Fiscal Year ended January 31 -----		
1995 1st Quarter	4 7/8	3 5/8
2nd Quarter	4 1/8	2 3/4
3rd Quarter	3 3/8	2 1/8
4th Quarter	2 3/8	1 5/8
Fiscal Year ended January 31 -----		
1996 1st Quarter	4	2
2nd Quarter	4 1/2	3
3rd Quarter	4 7/8	3 3/4
4th Quarter	4 1/4	2 7/8

There were approximately 12,000 common shareholders of record on January 31 1996.

See Notes 10 and 12 to the Consolidated Financial Statements included in Item 8 for information regarding restrictions on dividends and redemptions of capital stock.

ITEM 6. SELECTED FINANCIAL DATA
Financial Summary

In Thousands except Per Common Share Data,

Years Ended January 31

Financial Statistics and Other Data	1996	1995	1994	1993	1992
RESULTS OF OPERATIONS DATA					
Net sales	\$434,575	\$462,901	\$467,891	\$430,127	\$352,475
Depreciation and amortization	7,354	9,254	10,723	9,719	9,109
Operating income (loss)*	16,627	4,820	(2,968)	27,415	13,047
Pretax earnings (loss)	(4,256)	(17,757)	(29,788)	7,638	(3,154)
Earnings (loss) before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	(4,281)	(18,514)	(27,888)	2,640	(4,479)
Discontinued operations	14,352	(62,678)	(23,891)	7,053	4,940
Loss on early retirement of debt (net of tax)	-0-	-0-	240	583	-0-
Cumulative effect of change in accounting for postretirement benefits	-0-	-0-	2,273	-0-	-0-
Net earnings (loss)	\$ 10,071	\$(81,192)	\$(54,292)	\$ 9,110	\$ 461
PER COMMON SHARE DATA					
Earnings (loss) before discontinued operations, extraordinary loss and postretirement benefits					
Primary	\$ (.19)	\$ (.77)	\$ (1.17)	\$.10	\$ (.21)
Fully diluted	(.18)	(.77)	(1.17)	.10	(.21)
Discontinued operations					
Primary	.59	(2.58)	(.99)	.30	.22
Fully diluted	.57	(2.58)	(.99)	.30	.22
Extraordinary loss					
Primary	.00	.00	(.01)	(.02)	.00
Fully diluted	.00	.00	(.01)	(.02)	.00
Postretirement benefits					
Primary	.00	.00	(.09)	.00	.00
Fully diluted	.00	.00	(.09)	.00	.00
Net earnings (loss)					
Primary	.40	(3.35)	(2.26)	.38	.01
Fully diluted	.39	(3.35)	(2.26)	.38	.01
BALANCE SHEET DATA					
Total assets	\$197,806	\$243,878	\$309,386	\$317,868	\$237,244
Long-term debt	75,000	75,000	90,000	54,000	14,885
Capital leases	2,697	12,400	15,253	14,901	12,099
Non-redeemable preferred stock	7,958	7,943	8,064	8,305	8,330
Common shareholders' equity	25,947	21,450	90,659	146,746	140,834
Additions to plant, equipment and capital leases	8,564	5,750	8,356	10,132	9,341
FINANCIAL STATISTICS					
Operating income (loss) as a percent of net sales	3.8%	1.0%	(0.6%)	6.4%	3.7%
Book value per share	\$ 1.04	\$.87	\$ 3.73	\$ 6.33	\$ 6.16
Working capital	\$108,135	\$100,731	\$160,094	\$168,875	\$132,871
Current ratio	3.2	2.2	3.3	3.5	3.8
Percent long-term debt to total capital	69.6%	74.8%	51.6%	30.8%	15.3%
OTHER DATA (END OF YEAR)					
Number of retail outlets	463	498	518	540	575
Number of employees	3,750	5,400	6,950	6,550	6,150

*Represents operating income of the footwear business segment.

Reflected in the earnings for Fiscal 1996 were restructuring and other charges of \$15.1 million. See Note 2 to the Consolidated Financial Statements for additional information regarding these charges.

Reflected in the loss for Fiscal 1995 and Fiscal 1994 was a restructuring charge of \$22.1 million and \$12.3 million, respectively. See Note 2 to the Consolidated Financial Statements for additional information regarding these charges.

Long-term debt and capital leases include current payments. On February 1, 1993, the Company issued \$75 million of 10 3/8% senior notes due 2003. The Company used \$54 million of the proceeds to repay all of its outstanding long-term debt.

During Fiscal 1992 the Company acquired and cancelled approximately 712,000 shares of Employees Subordinated Convertible Preferred Stock.

The Company has not paid dividends on its Common Stock since 1973. See Note 12 to the Consolidated Financial Statements 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

The following discussion includes certain forward-looking statements. Actual results could differ materially from those reflected by the forward-looking statements in the discussion and a number of factors may adversely affect future results, liquidity and capital resources. These factors include softness in the general retail environment, the timing and acceptance of products being introduced to the market, international trade developments affecting Chinese and other foreign sourcing of products, as discussed in greater detail below, the outcome of various litigation and environmental contingencies, including those discussed in Item 3, Legal Proceedings and in Note 18 to the Consolidated Financial Statements, the solvency of the retail customers of the Company, the level of margins achievable in the marketplace and the ability to minimize operating expenses. They also include possible continued weakening of the western boot market, which has experienced a somewhat prolonged down cycle. Many western boot retailers are thinly capitalized. Continued weakness in demand for western boots could result in the failure of those retailers and, consequently, the erosion of the Company's customer base. Although the Company believes it has the business strategy and resources needed for improved operations, future revenue and margin trends cannot be reliably predicted and the Company may alter its business strategies during Fiscal 1997.

SIGNIFICANT DEVELOPMENTS

Fiscal 1995 Restructuring

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

The 1995 Restructuring provided for the following:

1995 Restructuring Charge

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

1995 Restructuring Provision

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

In connection with the 1995 Restructuring, the Company recorded a combined charge of \$90.7 million in the third quarter of Fiscal 1995, of which \$22.1 million (the "1995 Restructuring Charge") related to University Brands and Mitre and facility consolidation costs and permanent work force reductions and \$68.6 million (the "1995 Restructuring Provision") related to Greif and GCO Apparel, which constituted the entire men's apparel segment of the Company's business, and is therefore treated for financial reporting purposes as a provision for discontinued operations.

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

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

Throughout the remainder of Fiscal 1996, the Company recognized additional reductions to the 1995 Restructuring Charge and Provision of \$1.7 million as actual events differed from the original estimates.

The transactions provided for in the 1995 Restructuring were substantially complete as of January 31, 1996 and the Company does not expect any material future adjustments arising from the completion of the 1995 Restructuring. The 1995 Restructuring Charge, as adjusted, provided for the elimination of 464 jobs in footwear operations to be divested or consolidated and in staff positions to be eliminated, of which 457 jobs had been eliminated as of January 31, 1996. The divestiture of the University Brands business was completed in February 1995. The operations of The Greif Companies have ceased, its inventories and equipment have been liquidated and its last major remaining long-term lease liability was resolved in June 1995. The Company's GCO Apparel Corporation was sold in June 1995. The Company's Mitre Sports soccer business was sold in August 1995 with cash proceeds to the Company of approximately \$19.1 million, including repayment of intercompany balances.

In the third quarter of Fiscal 1996, the Company recorded a charge of \$978,000 from the adoption of a new accounting standard relating to impaired assets which is included in the "Restructuring and other charges" line on the Consolidated Earnings Statement. See Note 1 to the Consolidated Financial Statements.

Revolving Credit Agreement

On January 5, 1996, the Company entered into a revolving credit agreement with two banks providing for loans or letters of credit of up to \$35 million. The agreement expires January 5, 1999. This agreement replaced a \$50 million revolving credit agreement providing for loans or letters of credit. See "Liquidity and Capital Resources" and Note 10 to the Consolidated Financial Statements.

International Trade Developments

Manufacturers in China have become major suppliers to Genesco and other footwear companies in the United States. In Fiscal 1997 the Company expects to import approximately 18% of purchases from China. In addition to the products the Company imports, many of the Company's suppliers import a significant amount of their products from China. The United States has threatened trade sanctions of up to \$2 billion if China does not do more to stop piracy and other intellectual property violations. In addition, annual renewal of China's most-favored-nation trading status is also under review by the United States. Failure of the United States government to continue to grant most-favored-nation's treatment to China would raise duties and significantly increase the cost of footwear and other products imported from China into the United States. It could also materially affect the Company's ability to source those products from other countries, because the Company would have to compete with other footwear companies, some of whom buy substantially greater quantities and have substantially greater resources, for productive capacity in other low-labor cost countries. While the Company's divisions are developing contingency plans in case of negative developments in Chinese sourcing, there can be no assurance that such developments would not have a material adverse effect on the Company's business.

RESULTS OF OPERATIONS - FISCAL 1996 COMPARED TO FISCAL 1995

The Company's net sales from continuing operations (including both ongoing operations and the operations divested as part of the 1995 Restructuring) for the fiscal year ended January 31, 1996 decreased 6.1% from the previous year, reflecting lower sales from the divested operations. Net sales from ongoing operations increased 4.4% from the previous year. Total gross margin for the year decreased 0.1% but increased as a percentage of net sales from 37.4% to 39.8%. Selling and administrative expenses decreased 7.0% and decreased as a percentage of net sales from 35.9% to 35.6%. The pretax loss for Fiscal 1996 was \$4,256,000, compared to a pretax loss of \$17,757,000 for Fiscal 1995. The pretax loss for Fiscal 1996 includes a \$14.1 million net increase in the 1995 Restructuring Charge, and a \$978,000 charge for impaired assets due to the implementation of SFAS No. 121 (see "Changes in Accounting Principles" and Note 1 to the Consolidated Financial Statements) and recognition of a \$1.8 million gain from the favorable resolution of a claim relating to import duties. Fiscal 1995 pretax loss includes the \$22.1 million 1995 Restructuring Charge and recognition of \$4.9 million of additional gain on the sale in 1987 of the Company's Canadian operations following the settlement of certain claims arising out of that transaction. The Company reported net earnings of \$10,071,000 (\$0.40 per share) for Fiscal 1996 compared to a net loss of \$81,192,000 (\$3.35 per share) for Fiscal 1995. Fiscal 1996 net earnings includes, in addition to the 1995 Restructuring Charge adjustment and the charge for impaired assets, a positive adjustment of \$14.4 million to the 1995 Restructuring Provision. Fiscal 1995 net loss includes, in addition to the 1995 Restructuring Charge, \$58.1 million for the adjusted 1995 Restructuring Provision. See Note 2 to the Consolidated Financial Statements and "Significant Developments - Fiscal 1995 Restructuring."

Footwear Retail

	Fiscal Year Ended January 31,		% Change
	1996	1995	
	(In Thousands)		
Net Sales	\$243,303	\$234,448	3.8%
Operating Income before Restructuring and Other Charges	\$ 18,859	\$ 17,161	9.9%
Restructuring and Other Charges	\$ (978)	\$ (236)	(314.4)%
Operating Income	\$ 17,881	\$ 16,925	5.6%
Operating Margin	7.3%	7.2%	

Primarily due to an increase in comparable store sales of approximately 6%, net sales from footwear retail operations increased 3.8% for Fiscal 1996 compared to Fiscal 1995, despite the operation of 6% fewer stores in Fiscal 1996. The average price per pair for Fiscal 1996 increased 8% as compared to Fiscal 1995, while unit sales were down 4%, because of heavy discounting during Fiscal 1995 in connection with the closing of 39 retail stores as part of a restructuring plan adopted in the fourth quarter of Fiscal 1994 (the "1994 Restructuring").

Gross margin as a percentage of net sales decreased from 50.5% to 49.2%, primarily from price pressures on branded products and changes in product mix to more branded products as well as increased markdowns to stimulate sales in the Company's boot outlets. Operating expenses decreased approximately 1%, primarily due to the operation of fewer stores as a result of the 1994 Restructuring (see Note 2 to the Consolidated Financial Statements) and decreased as a percentage of net sales from 43.7% to 41.5%. In addition to the operation of fewer stores, expenses were down due to job eliminations as part of the 1995 Restructuring and lower selling salaries.

During the third quarter in Fiscal 1996, the Company implemented SFAS No. 121 resulting in a \$978,000 charge to retail earnings. See "Changes in Accounting Principles."

Footwear Wholesale & Manufacturing

	Fiscal Year Ended January 31,		% Change
	1996	1995	
	(In Thousands)		
Net Sales	\$ 191,272	\$ 228,453	(16.3)%
Operating Income before Restructuring and Other Charges	\$ 12,892	\$ 8,473	52.2%
Restructuring and Other Charges	\$ (14,146)	\$ (20,578)	31.3%
Operating Loss	\$ (1,254)	\$ (12,105)	89.6%
Operating Margin	(0.7)%	(5.3)%	

Net sales from footwear wholesale and manufacturing operations were \$37.2 million (16.3%) lower in Fiscal 1996 than in Fiscal 1995, reflecting primarily lower sales from the operations divested as part of the 1995 Restructuring. Sales from ongoing operations were up 4.5%, reflecting primarily increased men's branded footwear and tanned leather sales, which more than offset the continuing trend of decreased sales of western boots, primarily attributable to lower selling prices.

Gross margin as a percentage of net sales increased from 23.9% to 27.8%, primarily from improved manufacturing utilization including efficiencies resulting from the closing of a footwear plant in February 1995 as part of the 1995 Restructuring.

Operating expenses decreased 14.6%, primarily from the divestiture of University Brands in January 1995 and Mitre Sports in August 1995, but increased as a percentage of net sales from 22.2% to 22.7%, primarily because of the lower sales in operations to be divested and increased bad debt and royalty expenses.

For Fiscal 1995, the University Brands and Mitre Sports businesses that were disposed of in the 1995 Restructuring had net sales of \$74.8 million and operating loss before Restructuring Provision of \$0.2 million. The operating loss is for the nine months ended October 31, 1994 since the operating results subsequent to October 31, 1994 were charged against the Restructuring Provision.

Included in the operating income from ongoing operations before restructuring and other charges for Fiscal 1996 is a one-time gain of \$1.8 million from the favorable resolution of a claim relating to import duties. The increase in operating income before restructuring and other charges and the import duty claim, excluding \$0.2 million of divested operations' operating loss for Fiscal 1995, is due primarily to increased sales of men's branded products and tanned leather and to improvements in gross margin and expense reductions due to the 1995 Restructuring.

Discontinued Operations

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

Corporate and Interest Expenses

Corporate and other expenses in Fiscal 1996 were \$11.2 million, compared to \$15.5 million in Fiscal 1995, a decrease of approximately 28%. Included in corporate and other expenses in Fiscal 1996 are provisions of \$1.0 million for environmental litigation. Included in Fiscal 1995's corporate and other expenses are provisions of \$1.4 million for environmental litigation and \$2.3 million of severance costs, \$1.3 million of which related to the 1995 Restructuring. The decrease in corporate expenses, excluding the above provisions, is attributable primarily to lower professional fees.

Interest expense decreased \$1.6 million, or 14%, from last year because of a decrease in borrowings, while interest income increased \$682,000 from last year due to increased short-term investments. Borrowings under the Company's revolving credit facility during Fiscal 1996 averaged \$181,000 compared to average borrowings of \$28.4 million last year.

Other Income

Operating results of footwear businesses to be divested pursuant to the 1995 Restructuring are included in the Company's net sales, cost of sales and selling and administrative expenses. The net operating losses or gains incurred by these operations subsequent to the decision to divest are charged against the restructuring reserves established to provide for such losses or gains. The elimination of these losses from the Company's results of operations for Fiscal 1996 is presented as other income in the Consolidated Earnings Statement. Such operating losses totaled \$1.3 million in Fiscal 1996. Such operating losses totaled \$5.5 million for Fiscal 1995 which included operating results of stores identified for closure pursuant to the 1994 Restructuring. Also included in other income for Fiscal

1996 is a \$1.8 million gain from the favorable resolution of a claim relating to import duties and the \$1.0 million provision for environmental litigation.

RESULTS OF OPERATIONS - FISCAL 1995 COMPARED TO FISCAL 1994

The Company's net sales from continuing operations for the year ended January 31, 1995 decreased 1.1% from Fiscal 1994. Total gross margin for the year decreased 1.4% and declined from 37.5% to 37.4% as a percentage of net sales. Selling and administrative expenses decreased 8.7% and decreased as a percentage of net sales from 38.9% to 35.9%. The pretax loss in Fiscal 1995 was \$17,757,000, compared to a pretax loss of \$29,788,000 for Fiscal 1994. The Company reported a net loss of \$81,192,000 (\$3.35 per share) for Fiscal 1995 compared to a net loss of \$54,292,000 (\$2.26 per share) in Fiscal 1994. The pretax loss for Fiscal 1995 included the \$22.1 million 1995 Restructuring Charge and recognition of \$4.9 million of additional gain on the sale in 1987 of the Company's Canadian operations, while the pretax loss for Fiscal 1994 included a \$12.3 million restructuring charge in connection with a restructuring plan adopted at January 31, 1994 (the "1994 Restructuring"). Fiscal 1995 net loss included, in addition to the 1995 Restructuring Charge, the adjusted \$58.1 million 1995 Restructuring Provision while Fiscal 1994 included a \$17.1 million provision related to discontinued operations. See Note 2 to the Consolidated Financial Statements. The net loss in Fiscal 1994 included a \$2.3 million (\$.09 per share) loss from the cumulative effect of changes in the method of accounting for postretirement benefits due to the implementation of Statement of Financial Accounting Standards No. 106. See Note 15 to the Consolidated Financial Statements. In addition, Fiscal 1994's net loss included an extraordinary loss of \$240,000 (\$.01 per share) from the early retirement of debt.

Footwear Retail

	Fiscal Year Ended January 31,		% Change
	1995	1994	
	----- (In Thousands) -----		
Net Sales	\$234,448	\$ 231,456	1.3%
Operating Income before Restructuring Charges	\$ 17,161	\$ 4,832	255%
Restructuring Charges	\$ (236)	\$ (8,673)	97.3%
Operating Income (Loss)	\$ 16,925	\$ (3,841)	-
Operating Margin	7.2%	(1.7)%	

Led by an increase in comparable store sales of approximately 4%, net sales from footwear retail operations increased 1.3% in Fiscal 1995 compared to Fiscal 1994. The average price per pair increased 3%, while unit sales were flat from Fiscal 1994, primarily from the operation of fewer stores.

Gross margin as a percentage of net sales increased from 49.3% to 50.5%, primarily from decreased markdowns. Operating expenses decreased 5.8%, primarily due to the operation of fewer stores as a result of the 1994 Restructuring (see Note 2 to the Consolidated Financial Statements) and lower advertising expenses, and decreased as a percentage of net sales from 47.0% to 43.7%. Operating income for Fiscal 1995 does not include operating losses of the 58 retail stores included in the 1994 Restructuring.

Operating income before restructuring charges in Fiscal 1994, adjusted to exclude results of the stores included in the 1994 Restructuring, was \$8,178,000. Operating income before restructuring charges of \$17,161,000 in Fiscal 1995 was higher than Fiscal 1994's adjusted operating income due to improved margins and lower operating expenses.

Footwear Wholesale & Manufacturing

	Fiscal Year Ended January 31,		% Change
	1995	1994	
	(In Thousands)		
Net Sales	\$ 228,453	\$ 236,435	(3.4)%
Operating Income before Restructuring Charges	\$ 8,473	\$ 4,115	105.9%
Restructuring Charges	\$ (20,578)	\$ (3,242)	(534.7)%
Operating Income (Loss)	\$ (12,105)	\$ 873	-
Operating Margin	(5.3)%	0.4%	

Net sales from footwear wholesale and manufacturing operations were \$8.0 million (3.4%) lower in Fiscal 1995 than in Fiscal 1994, reflecting primarily lower unit sales and selling prices of western boots and, to a lesser extent, lower sales of tanned leather.

Gross margin as a percentage of net sales decreased from 26.0% to 23.9%, primarily due to volume-related manufacturing inefficiencies and price reductions to stimulate sales in the Company's boot operations.

Operating expenses decreased 11.2% and decreased as a percentage of net sales from 24.2% to 22.2%, primarily because of reduced advertising expenses.

The increase in operating income before restructuring charges was due to lower operating expenses and a \$1.6 million reduction in losses related to the companies being divested as part of the 1995 Restructuring.

Driven by record sales, western boot production in the first quarter of Fiscal 1994 resulted in positive manufacturing variances in the Company's boot plants. A sharp decline in the sale of western boots led to a decision in the latter part of Fiscal 1994 to curtail western boot production. Despite the closing of a western boot plant in the first quarter of Fiscal 1995 pursuant to the 1994 Restructuring, the lower volume of boots manufactured in Fiscal 1995 resulted in manufacturing inefficiencies which negatively impacted gross margin. The 1995 Restructuring Charge included a provision to close another boot manufacturing plant, which closed in January 1995.

For Fiscal 1994, the net sales and operating loss before restructuring provision of the University Brands and Mitre Sports businesses that were being disposed of in the 1995 Restructuring were \$75,972,000 and \$1,729,000, respectively. For Fiscal 1995, the net sales of the divisions being divested were \$74,818,000. The operating loss before restructuring of \$167,000 for Fiscal 1995 is for the nine months ended October 31, 1994, since the operating results subsequent to October 31, 1994 were charged against the provision for restructuring.

Discontinued Operations

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

Net sales and operating loss of the segment for Fiscal 1994 were \$105 million and \$4.9 million, respectively. In addition, there was a \$17.1 million restructuring charge related to the men's apparel segment taken at January 31, 1994 in connection with the 1994 Restructuring.

Corporate and Interest Expenses

Corporate and other expenses in Fiscal 1995 were \$15.5 million, compared to \$16.5 million for Fiscal 1994, a decrease of approximately 6%. Included in corporate and other expenses in Fiscal 1995 are provisions of \$1.4 million for environmental litigation compared to only \$500,000 of such provisions in Fiscal 1994. Fiscal 1995 expenses also include \$2.3 million of severance costs, \$1.3 million of which relate to the 1995 Restructuring, while Fiscal 1994 also includes \$2.5 million of severance costs, \$404,000 of which relate to the 1994 Restructuring. Fiscal 1994's expenses also include a provision of \$448,000 for an adverse decision in a lawsuit and a \$558,000 gain from the sale of excess real estate. Excluding the provisions for environmental litigation and the severance costs, corporate expenses in Fiscal 1995 decreased 13% from Fiscal 1994, due primarily to lower compensation expenses due to layoffs related to the restructurings and other staff reductions that occurred after the first quarter of Fiscal 1994.

Net interest expense increased \$925,000, or 8%, from Fiscal 1994, because of an increase in both average borrowings and average interest rates.

LIQUIDITY AND CAPITAL RESOURCES

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

	January 31		
	1996	1995	1994
Cash and short-term investments	\$ 35.6	\$ 10.2	\$ 3.6
Working capital	\$ 108.1	\$ 100.7	\$ 160.1
Long-term debt (includes current maturities)			
10 3/8% senior notes	\$ 75.0	\$ 75.0	\$ 75.0
Revolving credit debt	-	-	\$ 15.0
Current ratio	3.2x	2.2x	3.3x

Working Capital

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

Cash provided by operating activities was \$22.7 million in Fiscal 1996, compared to \$22.5 million provided by operating activities in Fiscal 1995 and \$17.4 million of cash used by operating activities in Fiscal 1994. The \$0.2 million improvement in cash flow from operating activities for Fiscal 1996 from Fiscal 1995 reflects primarily cash inflows from the liquidation of assets included in the 1995 Restructuring and lower seasonal requirements from the disposition of businesses included in the 1995 Restructuring. The \$39.9 million improvement in cash flow from operating activities for Fiscal 1995 from Fiscal 1994 reflects factors including the cash inflows from the disposal of assets included in the 1995 Restructuring, lower footwear wholesale inventory (primarily in the Company's boot business), lower tailored clothing inventory prior to the decision to liquidate as a result of anticipated lower Greif sales, reduced raw material purchases and lower inventories from retail store closings.

A \$6.3 million decrease in inventories from January 31, 1995 levels reflected in the Consolidated Cash Flows Statement was primarily due to liquidation of inventories in connection with the 1995 Restructuring, while the \$2.0 million increase in ongoing inventories compared with January 31, 1995 reflects the growth of certain existing lines of footwear in anticipation of higher sales. A \$25.5 million decrease in inventories reflected in the Consolidated Cash Flows Statement from January 31, 1994 levels was primarily due to liquidation of inventories in connection with the 1995 Restructuring, lower footwear wholesale inventory (primarily boot inventory) and lower retail inventory from the store closings included in the 1994 Restructuring.

As reflected in the Consolidated Cash Flows Statement, accounts receivable at January 31, 1996 decreased \$15.5 million compared to January 31, 1995, primarily from collection of receivables in the operations being divested in the 1995 Restructuring. Ongoing accounts receivable at January 31, 1996 were \$55,000 more than January 31, 1995. Accounts receivable at January 31, 1995 remained flat, with decreases in operations to be divested receivables offset from increased sales in the men's branded footwear and extended terms to meet competitive pressures.

Included in the accounts payable and accrued liabilities line in the Consolidated Cash Flows Statement are the following decreases:

(In Thousands)	Years Ended January 31,		
	1996	1995	1994
Accounts payable	\$ (3,655)	\$ (2,204)	\$ (9,907)
Accrued liabilities	(9,369)	(4,754)	(787)
	<u>\$(13,024)</u>	<u>\$ (6,958)</u>	<u>\$ (10,694)</u>

The decrease in accounts payable for Fiscal 1996 from Fiscal 1995 relates primarily to the divestitures associated with the 1995 Restructuring while the changes in the prior years were due to changes in buying patterns, payment terms negotiated with individual vendors and changes in inventory levels.

The change in accrued liabilities in Fiscal 1996 was due to payment of severance costs and liabilities related to the Restructurings. The change in accrued liabilities in Fiscal 1995 was due primarily to payments of severance costs, liabilities and leases related to the Restructurings. The change in accrued liabilities in Fiscal 1994 was due primarily to decreased bonus and tax accruals relating to the loss in Fiscal 1994.

Revolving credit borrowings during Fiscal 1996 were minimal, as cash generated from the 1995 Restructuring more than offset seasonal working capital increases in the remaining operations. Revolving credit agreement borrowings decreased by \$15 million during Fiscal 1995 due to cash generated by the 1995 Restructuring and the phasedown of the tailored clothing segment under the 1994 Restructuring. The Company expects during Fiscal 1997 to have minimal borrowings. See Note 10 to the Consolidated Financial Statements.

Capital Expenditures

Capital expenditures were \$8.6 million in Fiscal 1996, \$5.8 million in Fiscal 1995 and \$7.9 million in Fiscal 1994. The \$2.8 million increase in Fiscal 1996 capital expenditures as compared to Fiscal 1995 resulted from leasehold improvements to the corporate office building for new tenants due to the downsizing of the Company, an increase in retail renovations and an increase in purchases of production equipment. The \$2.1 million decrease in Fiscal 1995 capital expenditures as compared to Fiscal 1994 resulted from a decrease in footwear manufacturing expenditures and tailored clothing expenditures.

Total capital expenditures in Fiscal 1997 are expected to be approximately \$13.4 million. These include expected retail store expenditures of \$8.5 million to open 48 new retail stores and to complete 25 major store renovations. Capital expenditures for wholesale and manufacturing operations and other operations are expected to be approximately \$4.9 million.

Future Capital Needs

The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its capital expenditures through Fiscal 1997. The approximate \$6.7 million of costs associated with the 1994 Restructuring and the 1995 Restructuring that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand and from cash generated from operations.

There were \$8 million of letters of credit outstanding under the revolving credit agreement at January 31, 1996, leaving availability under the revolving credit agreement of \$27 million.

The restricted payments covenant contained in the indenture under which the Company's 10 3/8% senior notes were issued prohibits the Company from declaring dividends on the Company's capital stock, except from a pool of available net earnings and the proceeds of stock sales. At January 31, 1996, that pool was in a \$109.7 million deficit position. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, \$2.30 Series 1, \$4.75 Series 3 and \$4.75 Series 4, and on its \$1.50 Subordinated Cumulative Preferred Stock is \$302,000. The Company currently has dividend arrearages in the amount of \$679,190 and is unable to predict when dividends may be reinstated.

On November 7, 1994, Standard & Poor's announced that it had lowered the rating of the 10 3/8% Notes to B from B+ based on its concern that Genesco's ongoing business operations will not provide the earnings and cash flow generation reflective of a B+ senior credit rating. On January 30, 1996, Moody's confirmed their B2 senior debt rating of Genesco's 10 3/8% Notes which ended a review of Genesco's rating initiated by Moody's on November 10, 1995. According to Standard & Poor's, a debt instrument rated B has a greater vulnerability to default than debt rated BB, but currently has the capacity to meet interest and principal payments. According to Moody's, the assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small with respect to a debt instrument rated B. Ratings are not a recommendation to purchase, hold or sell long-term debt of the Company, inasmuch as ratings do not comment as to market price or suitability for particular investors and may be subject to revision or withdrawal at any time by the assigning rating agency.

FOREIGN CURRENCY

The Company does not believe that its foreign currency risk is material to its operations. Most purchases by the Company from foreign sources are denominated in U.S. dollars. To the extent that import transactions are denominated in other currencies, it is the Company's practice to hedge its risks through the purchase of forward foreign exchange contracts. Any gains or losses from such transactions offset gains and losses from the underlying hedged transactions.

CHANGES IN ACCOUNTING PRINCIPLES

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

Statement of Financial Accounting Standards 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" was implemented by the Company in the first quarter of Fiscal 1994. At January 31, 1993, the actuarial present value of the accumulated benefit obligation was approximately \$2,273,000. The amount of such obligation at the date of implementation could have been recorded as a loss at the time of adoption of SFAS 106 or charged to earnings ratably over a period of not more than 20 years. The Company elected to charge the entire \$2,273,000 at the time of adoption and the loss is reflected on the income statement as a change in accounting principle.

Statement of Financial Accounting Standards 109, "Accounting for Income Taxes" was also implemented in the first quarter of Fiscal 1994 by the Company. Implementation of SFAS 109 did not affect the Company's results of operations but resulted in reclassifications in the balance sheet. Because changes in the economic environment have historically affected the Company's results of operations, the Company is limiting the amount of deferred tax assets it recognizes to an amount no greater than the amount of tax refunds the Company could claim as loss carrybacks. For additional information, see Note 13 to the Consolidated Financial Statements.

INFLATION

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

ITEM 8, FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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February 27, 1996

To the Board of Directors and
Shareholders of Genesco Inc.

Report of Independent Accountants

In our opinion, the consolidated financial statements listed in the index appearing under Item 14 as financial statements and financial statement schedules on page 70 present fairly, in all material respects, the financial position of Genesco Inc. and its subsidiaries at January 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/Price Waterhouse LLP
Nashville, Tennessee

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Balance Sheet
January 31
In Thousands

	1996	1995
	----	----
ASSETS		

CURRENT ASSETS		
Cash and short-term investments	\$ 35,550	\$ 10,235
Accounts receivable	32,135	32,080
Inventories	84,930	82,905
Other current assets	4,317	4,277
Current assets of operations to be divested	-0-	53,891

Total current assets	156,932	183,388

Plant, equipment and capital leases, net	28,552	28,073
Other noncurrent assets	12,322	13,773
Noncurrent assets of operations to be divested	-0-	18,644

TOTAL ASSETS	\$ 197,806	\$ 243,878
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		

CURRENT LIABILITIES		
Current payments on capital leases	\$ 1,212	\$ 2,343
Accounts payable and accrued liabilities	43,686	61,124
Provision for discontinued operations	3,899	19,190

Total current liabilities	48,797	82,657

Long-term debt	75,000	75,000
Capital leases	1,485	10,057
Other long-term liabilities	25,265	25,746
Provision for discontinued operations	13,354	21,025
Contingent liabilities	-	-
SHAREHOLDERS' EQUITY		
Non-redeemable preferred stock	7,958	7,943
Common shareholders' equity:		
Par value of issued shares	24,844	24,832
Additional paid-in capital	121,715	121,670
Accumulated deficit	(94,511)	(104,582)
Minimum pension liability adjustment	(8,244)	(2,613)
Treasury shares, at cost	(17,857)	(17,857)

Total shareholders' equity	33,905	29,393

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 197,806	\$ 243,878
=====		

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Earnings
In Thousands

	YEAR ENDED JANUARY 31		
	1996	1995	1994
Net sales	\$ 434,575	\$462,901	\$467,891
Cost of sales	261,743	289,961	292,474
Selling and administrative expenses	154,567	166,156	182,046
Restructuring and other charges	15,124	22,114	12,319
Earnings (loss) from operations before other income and expenses	3,141	(15,330)	(18,948)
Other expenses (income):			
Interest expense	10,403	12,031	11,131
Interest income	(758)	(76)	(101)
Gain on divestiture	-0-	(4,900)	(677)
Other expense (income)	(2,248)	(4,628)	487
Total other (income) expenses, net	7,397	2,427	10,840
Loss before income taxes, discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	(4,256)	(17,757)	(29,788)
Income taxes	25	757	(1,900)
Loss before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	(4,281)	(18,514)	(27,888)
Discontinued operations:			
Operating loss	-0-	(4,540)	(6,831)
Excess provision (provision) for future losses	14,352	(58,138)	(17,060)
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	10,071	(81,192)	(51,779)
Extraordinary loss from early retirement of debt	-0-	-0-	(240)
Postretirement benefits*	-0-	-0-	(2,273)
NET EARNINGS (LOSS)	\$ 10,071	\$(81,192)	\$(54,292)
Earnings (loss) per common share:			
Before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	\$ (.19)	\$ (.77)	\$ (1.17)
Discontinued operations	\$.59	\$ (2.58)	\$ (.99)
Extraordinary loss	\$.00	\$.00	\$ (.01)
Postretirement benefits*	\$.00	\$.00	\$ (.09)
Net earnings (loss)	\$.40	\$ (3.35)	\$ (2.26)

*Reflects the cumulative effect of changes in the method of accounting for postretirement benefits due to the implementation of Statement of Financial Accounting Standards No. 106 (see Note 1).

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Consolidated Cash Flows
In Thousands

	YEAR ENDED JANUARY 31,		
	1996	1995	1994
OPERATIONS:			
Net earnings (loss)	\$ 10,071	\$(81,192)	\$(54,292)
Noncash charges to earnings:			
(Excess) provision for loss on discontinued operations	(14,352)	58,138	17,060
Restructuring charge	14,147	22,114	12,319
Depreciation and amortization	7,354	9,254	10,723
Impairment of long-lived assets	978	-0-	-0-
Provision for environmental liabilities	1,000	700	-0-
Provision for deferred income taxes	-0-	1,404	2,308
Gain on divestiture	-0-	(4,900)	(677)
Provision for losses on accounts receivable	1,799	813	1,595
Postretirement benefits	-0-	-0-	2,273
Other	548	376	1,848
Net cash provided by (used in) operations before working capital and other changes	21,545	6,707	(6,843)
Effect on cash of changes in working capital and other assets and liabilities net of effect of business acquisitions:			
Accounts receivable	15,466	44	4,142
Inventories	6,280	25,458	(3,955)
Other current assets	165	100	(168)
Accounts payable and accrued liabilities	(13,024)	(6,958)	(10,694)
Other assets and liabilities	(7,780)	(2,881)	112
Net cash provided by (used in) operations	22,652	22,470	(17,406)
INVESTING ACTIVITIES:			
Capital expenditures	(8,564)	(5,750)	(7,929)
Business acquisition	-0-	-0-	(11,376)
Proceeds from businesses divested and asset sales	18,763	8,032	189
Net cash provided by (used in) investing activities	10,199	2,282	(19,116)
FINANCING ACTIVITIES:			
Long-term borrowings	-0-	-0-	77,016
Net borrowings (repayments) under revolving credit agreement	-0-	(15,000)	(7,000)
Net change in short-term borrowings	2,522	(69)	69
Payments of long-term debt	-0-	-0-	(32,000)
Payments on capital leases	(9,703)	(2,852)	(2,090)
Exercise of options and warrants	23	6	7,875
Redemption of Mitre U.K. B shares	-0-	-0-	(5,000)
Deferred note expense	(397)	-0-	(3,109)
Preferred dividends paid	-0-	-0-	(232)
Other	19	(227)	(199)
Net cash provided by (used in) financing activities	(7,536)	(18,142)	35,330
NET CASH FLOW	25,315	6,610	(1,192)
Cash and short-term investments at beginning of year	10,235	3,625	4,817
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	\$ 35,550	\$ 10,235	\$ 3,625

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

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

	TOTAL NON-REDEEMABLE PREFERRED STOCK	COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED EARNINGS (DEFICIT)	TREASURY STOCK	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	MINIMUM PENSION LIABILITY ADJUSTMENT	TOTAL SHARE- HOLDERS' EQUITY
Balance January 31, 1993	\$ 8,305	\$ 23,658	\$ 114,706	\$ 31,283	\$ (17,857)	\$ (5,044)	\$ -0-	\$ 155,051
Exercise of options and warrants	-0-	1,132	6,743	-0-	-0-	-0-	-0-	7,875
Translation adjustment	-0-	-0-	-0-	-0-	-0-	338	-0-	338
Net loss	-0-	-0-	-0-	(54,292)	-0-	-0-	-0-	(54,292)
Preferred dividends	-0-	-0-	-0-	(232)	-0-	-0-	-0-	(232)
Minimum pension liability adjustment	-0-	-0-	-0-	-0-	-0-	-0-	(9,964)	(9,964)
Other	(241)	3	185	-0-	-0-	-0-	-0-	(53)
Balance January 31, 1994	\$ 8,064	\$ 24,793	\$ 121,634	\$ (23,241)	\$ (17,857)	\$ (4,706)	\$ (9,964)	\$ 98,723
Exercise of options	-0-	2	4	-0-	-0-	-0-	-0-	6
Translation adjustments: Year-to-date adjustments Realized in FY 1995	-0-	-0-	-0-	-0-	-0-	2,136	-0-	2,136
Restructuring	-0-	-0-	-0-	-0-	-0-	2,570	-0-	2,570
Net loss	-0-	-0-	-0-	(81,192)	-0-	-0-	-0-	(81,192)
Minimum pension liability adjustment	-0-	-0-	-0-	-0-	-0-	-0-	7,351	7,351
Other	(121)	37	32	(149)	-0-	-0-	-0-	(201)
BALANCE JANUARY 31, 1995	\$ 7,943	\$ 24,832	\$ 121,670	\$ (104,582)	\$ (17,857)	\$ -0-	\$ (2,613)	\$ 29,393
Exercise of options	-0-	8	15	-0-	-0-	-0-	-0-	23
Net earnings	-0-	-0-	-0-	10,071	-0-	-0-	-0-	10,071
Minimum pension liability adjustment	-0-	-0-	-0-	-0-	-0-	-0-	(5,631)	(5,631)
Other	15	4	30	-0-	-0-	-0-	-0-	49
BALANCE JANUARY 31, 1996	\$ 7,958	\$ 24,844	\$ 121,715	\$ (94,511)	\$ (17,857)	\$ -0-	\$ (8,244)	\$ 33,905

See Note 12 for additional information regarding each series of preferred stock.

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

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

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

NATURE OF OPERATIONS

The Company's businesses include the manufacture or sourcing, marketing and distribution of footwear under the Johnston & Murphy, Laredo, Code West, Larry Mahan, Dockers and Nautica brands, the tanning and distribution of leather by the Volunteer Leather division and the operation of Jarman, Journeys, Johnston & Murphy, Boot Factory and Factory To You retail footwear stores.

FISCAL YEAR

The Company's fiscal year ends January 31. For purposes of these financial statements, the fiscal year ended January 31, 1996 is referred to as "Fiscal 1996" or "1996". Prior fiscal years are referred to in the same manner.

CASH AND SHORT-TERM INVESTMENTS

Included in cash and short-term investments at January 31, 1996, are short-term investments of \$32,000,000. There were no short-term investments at January 31, 1995. Short-term investments are highly-liquid debt instruments having an original maturity of three months or less.

INVENTORIES

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

PLANT, EQUIPMENT AND CAPITAL LEASES

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

HEDGING CONTRACTS

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments, the Company enters into foreign currency forward exchange contracts for Italian Lira. At January 31, 1996 and January 31, 1995, the Company had approximately \$4.9 million and \$9.7 million, respectively, of such contracts outstanding. Forward exchange contracts have an average term of approximately four months. Gains and losses arising from these contracts offset gains and losses from the underlying hedged transactions. The Company monitors the credit quality of the major national and regional financial institutions with whom it enters into such contracts.

POSTRETIREMENT BENEFITS

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

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

ENVIRONMENTAL COSTS

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INCOME TAXES

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount of taxes recoverable from taxes paid in the current or prior years.

EARNINGS PER COMMON SHARE

Earnings per common share are computed by dividing earnings, adjusted for preferred dividend requirements (1996 - \$302,000; 1995 - \$302,000; 1994 - \$307,000), by average common and common equivalent shares outstanding during the period.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 2
RESTRUCTURINGS

FISCAL 1995 RESTRUCTURING

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

The 1995 Restructuring provided for the following:

1995 Restructuring Charge

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

1995 Restructuring Provision

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

In connection with the 1995 Restructuring, the Company took a combined charge of \$90.7 million in the third quarter of Fiscal 1995, of which \$22.1 million (the "1995 Restructuring Charge") related to University Brands and Mitre and facility consolidation costs and permanent work force reductions and \$68.6 million (the "1995 Restructuring Provision") related to Greif and GCO Apparel, which constituted the entire men's apparel segment of the Company's business, and is therefore treated for financial reporting purposes as a provision for discontinued operations.

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 2
RESTRUCTURINGS, CONTINUED

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

Throughout the remainder of Fiscal 1996, the Company recognized additional reductions to the 1995 Restructuring Charge and Provision of \$1.7 million as actual events differed from the original estimates.

The transactions provided for in the 1995 Restructuring were substantially complete as of January 31, 1996 and the Company does not expect any material future adjustments arising from the completion of the 1995 Restructuring. The 1995 Restructuring Charge, as adjusted, provided for the elimination of 464 jobs in footwear operations to be divested or consolidated and in staff positions to be eliminated, of which 457 jobs had been eliminated as of January 31, 1996. The divestiture of the University Brands business was completed in February 1995. The operations of The Greif Companies have ceased, its inventories and equipment have been liquidated and its last major remaining long-term lease liability was resolved in June 1995. The Company's GCO Apparel Corporation was sold in June 1995. The Company's Mitre Sports soccer business was sold in August 1995 with cash proceeds to the Company of approximately \$19.1 million, including repayment of intercompany balances.

In the third quarter of Fiscal 1996, the Company took a charge of \$978,000 from the adoption of a new accounting standard relating to impaired assets which is included in the "Restructuring and other charges" line on the Consolidated Earnings Statement. See Note 1 to the Consolidated Financial Statements.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 2
RESTRUCTURINGS, CONTINUED

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

IN THOUSANDS	YEARS ENDED JANUARY 31,	
	1995	1994
Net sales	\$ 81,777	\$104,969
Cost of sales and expenses	86,317	109,895
Pretax loss	(4,540)	(4,926)
Income tax expense (benefit)	-0-	1,905
Net Loss	\$ (4,540)	\$ (6,831)

Discontinued operations' sales subsequent to the decision to discontinue were \$20.0 million for Fiscal 1996.

Net sales for Mitre and University Brands for Fiscal 1996, 1995 and 1994 were \$30,759,000, \$75,975,000 and \$76,022,000, respectively. Operating loss for Mitre and University Brands before the restructuring provisions for Fiscal 1995 and 1994 was \$304,000 and \$1,703,000, respectively.

Operating results of footwear businesses divested pursuant to the 1995 Restructuring are included in the Company's sales, cost of sales and selling and administrative expenses. The net operating losses incurred by these operations subsequent to the decision to divest are charged against the restructuring reserves established to provide for such losses. The elimination of these losses from the Company's results of operations for Fiscal 1996 is presented as other income in the Consolidated Earnings Statement. Such operating losses totalled \$1.3 million for Fiscal 1996. Such operating losses totalled \$5.5 million for Fiscal 1995 which included operating results of stores identified for closure pursuant to the 1994 Restructuring referred to below.

FISCAL 1994 RESTRUCTURING

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 3
ACCOUNTS RECEIVABLE

IN THOUSANDS	1996	1995*
Trade accounts receivable	\$33,068	\$32,401
Miscellaneous receivables	3,263	2,258
Total receivables	36,331	34,659
Allowance for bad debts	(2,065)	(1,127)
Other allowances	(2,131)	(1,452)
NET ACCOUNTS RECEIVABLE	\$32,135	\$32,080

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

NOTE 4
INVENTORIES

IN THOUSANDS	1996	1995*
Raw materials	\$ 9,229	\$ 8,856
Work in process	3,792	2,877
Finished goods	22,935	21,992
Retail merchandise	48,974	49,180
TOTAL INVENTORIES	\$84,930	\$82,905

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 5
ASSETS OF OPERATIONS TO BE DIVESTED

IN THOUSANDS	1995			
	1996 TOTAL	DISCONTINUED* OPERATIONS	OTHER** OPERATIONS	TOTAL
Current assets:				
Accounts receivable	\$ -0-	\$16,061	\$11,018	\$27,079
Inventory	-0-	11,723	14,435	26,158
Other	-0-	-0-	654	654
TOTAL CURRENT ASSETS	\$ -0-	\$27,784	\$26,107	\$53,891
Noncurrent assets:				
Plant and equipment	\$ -0-	\$ 947	\$ 1,700	\$ 2,647
Capitalized lease rights	-0-	253	46	299
Goodwill and other intangibles	-0-	-0-	15,698	15,698
TOTAL NONCURRENT ASSETS	\$ -0-	\$ 1,200	\$17,444	\$18,644

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

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

NOTE 6
PLANT, EQUIPMENT AND CAPITAL LEASES, NET

IN THOUSANDS	1996	1995*
Plant and equipment:		
Land	\$ 75	\$ 75
Buildings and building equipment	2,799	2,797
Machinery, furniture and fixtures	32,927	30,682
Construction in progress	1,114	672
Improvements to leased property	39,195	37,776
Capital leases:		
Land	60	60
Buildings	2,195	2,195
Machinery, furniture and fixtures	7,392	7,627
Plant, equipment and capital leases, at cost	85,757	81,884
Accumulated depreciation and amortization:		
Plant and equipment	(50,355)	(48,131)
Capital leases	(6,850)	(5,680)
NET PLANT, EQUIPMENT AND CAPITAL LEASES	\$ 28,552	\$ 28,073

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 7
OTHER ASSETS

IN THOUSANDS	1996	1995
Other current assets:		
Prepaid expenses	\$ 4,317	\$ 4,277
TOTAL OTHER CURRENT ASSETS	\$ 4,317	\$ 4,277
Other noncurrent assets:		
Pension plan asset	\$ 8,051	\$ 9,422
Investments and long-term receivables	1,772	1,696
Deferred note expense	2,499	2,655
TOTAL OTHER NONCURRENT ASSETS	\$ 12,322	\$ 13,773

NOTE 8
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

IN THOUSANDS	1996	1995
Trade accounts payable	\$ 12,105	\$ 21,128
Accrued liabilities:		
Employee compensation	10,733	10,867
Insurance	4,381	5,166
Interest	3,992	4,173
Taxes other than income taxes	3,361	3,370
Other	9,114	16,420
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 43,686	\$ 61,124

At January 31, 1995, outstanding checks drawn on certain domestic banks exceeded book cash balances by approximately \$3,673,000. These amounts are included in trade accounts payable.

GENESCO INC.
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NOTE 9
PROVISION FOR DISCONTINUED OPERATIONS AND RESTRUCTURING RESERVES

PROVISION FOR DISCONTINUED OPERATIONS

IN THOUSANDS	EMPLOYEE RELATED COSTS	FACILITY SHUTDOWN COSTS	OTHER CONTRACT LIABILITIES	OTHER	TOTAL
Balance January 31, 1995	\$ 25,134	\$ 9,405	\$ 1,415	\$ 4,261	\$ 40,215
Charges and adjustments, net	(9,912)	(9,395)	(1,370)	(2,285)	(22,962)
Balance January 31, 1996	15,222	10	45	1,976	17,253
Current portion	1,868	10	45	1,976	3,899
TOTAL NONCURRENT PROVISION FOR DISCONTINUED OPERATIONS	\$ 13,354	\$ -0-	\$ -0-	\$ -0-	\$ 13,354

RESTRUCTURING RESERVES

IN THOUSANDS	EMPLOYEE RELATED COSTS	FACILITY SHUTDOWN COSTS	OTHER CONTRACT LIABILITIES	OTHER	TOTAL
Balance January 31, 1995	\$ 3,965	\$ 3,123	\$ 555	\$ 3,112	\$ 10,755
Charges and adjustments, net	(3,009)	(1,457)	(496)	(2,789)	(7,751)
Balance January 31, 1996	956	1,666	59	323	3,004
Current portion (included in accounts payable and accrued liabilities)	956	1,470	59	323	2,808
TOTAL NONCURRENT RESTRUCTURING RESERVES (INCLUDED IN OTHER LONG-TERM LIABILITIES)	\$ -0-	\$ 196	\$ -0-	\$ -0-	\$ 196

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NOTE 10
LONG-TERM DEBT

IN THOUSANDS	1996	1995
10 3/8% senior notes due February 2003	\$75,000	\$75,000
Current portion	-0-	-0-
TOTAL NONCURRENT PORTION OF LONG-TERM DEBT	\$75,000	\$75,000

REVOLVING CREDIT AGREEMENTS:

On January 5, 1996, the Company entered into a revolving credit agreement with two banks providing for loans or letters of credit of up to \$35 million. The agreement expires January 5, 1999. This agreement replaced a \$50 million revolving credit agreement providing for loans or letters of credit. Outstanding letters of credit at January 31, 1996 were \$8 million.

Under the new revolving credit agreement, the Company may borrow at the prime rate or LIBOR plus 2.0% which may be changed if the Company's debt rating is improved. Facility fees are 0.5% per annum on each bank's committed amount or \$35,000,000. The new credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage, debt to equity and interest coverage ratios. The Company is required by the new credit agreement to reduce the outstanding principal balance of the revolving loans to zero for 45 consecutive days during each period beginning on December 15 of any Fiscal Year and ending on April 15 of the following Fiscal Year (commencing with the period beginning December 15, 1995 and ending on April 15, 1996). The revolving credit agreement contains other covenants which restricts the payment of dividends and other payments with respect to capital stock and annual capital expenditures are limited to \$12,000,000 for Fiscal 1997 and \$14,000,000 thereafter subject to possible carryforwards from the previous year of up to \$2,000,000 if less is spent in the current year. The Company was in compliance with the financial covenants contained in the revolving credit agreement at January 31, 1996.

10 3/8% SENIOR NOTES DUE 2003:

On February 1, 1993, the Company issued \$75 million of 10 3/8% senior notes due February 1, 2003.

The fair value of the Company's 10 3/8% senior notes, based on the quoted market price on January 31, 1996, is \$69,656,250.

The indenture under which the notes were issued limits the incurrence of indebtedness, the making of restricted payments, the restricting of subsidiary dividends, transactions with affiliates, liens, sales of assets and transactions involving mergers, sales or consolidations.

GENESCO INC.
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NOTE 11
COMMITMENTS UNDER LONG-TERM LEASES

CAPITAL LEASES

Future minimum lease payments under capital leases at January 31, 1996, together with the present value of the minimum lease payments, are:

FISCAL YEARS	IN THOUSANDS
1997	\$ 1,391
1998	865
1999	400
2000	139
2001	139
Later years	189
Total minimum payments	3,123
Interest discount amount	426
Total present value of minimum payments	2,697
Current portion	1,212
TOTAL NONCURRENT PORTION	\$ 1,485

OPERATING LEASES

Rental expense under operating leases of continuing operations was:

IN THOUSANDS	1996	1995	1994
Minimum rentals	\$17,942	\$18,678	\$18,501
Contingent rentals	8,776	8,234	7,798
Sublease rentals	(754)	(478)	(480)
TOTAL RENTAL EXPENSE	\$25,964	\$26,434	\$25,819

Minimum rental commitments payable in future years are:

FISCAL YEARS	IN THOUSANDS
1997	\$17,690
1998	16,281
1999	12,963
2000	10,121
2001	6,976
Later years	9,598
TOTAL MINIMUM RENTAL COMMITMENTS	\$73,629

Most leases provide for the Company to pay real estate taxes and other expenses and contingent rentals based on sales. Approximately 12% of the Company's leases contain renewal options.

GENESCO INC.
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NOTE 12
SHAREHOLDERS' EQUITY
NON-REDEEMABLE PREFERRED STOCK

CLASS	NUMBER OF SHARES				AMOUNTS IN THOUSANDS			COMMON CONVERTIBLE RATIO	NO. OF VOTES
	SHARES AUTHORIZED	JANUARY 31,			JANUARY 31,				
		1996	1995	1994	1996	1995	1994		

Subordinated Serial Preferred (Cumulative)									
\$2.30 Series 1	64,368	37,233	37,233	37,283	\$1,489	\$1,489	\$1,491	.83	1
\$4.75 Series 3	40,449	19,632	19,632	19,632	1,963	1,963	1,963	2.11	2
\$4.75 Series 4	53,764	16,412	16,412	16,412	1,641	1,641	1,641	1.52	1
Series 6	400,000	-0-	-0-	-0-	-0-	-0-	-0-		1
\$1.50 Subordinated Cumulative Preferred	5,000,000	30,017	30,017	29,917	901	901	898		

		103,294	103,294	103,244	5,994	5,994	5,993		
Employees' Subordinated Convertible Preferred	5,000,000	80,313	80,313	84,791	2,410	2,410	2,544	1.00*	1

Stated Value of Issued Shares					8,404	8,404	8,537		
Employees' Preferred Stock Purchase Accounts					(446)	(461)	(473)		

TOTAL NON-REDEEMABLE PREFERRED STOCK					\$7,958	\$7,943	\$8,064		
=====									

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

PREFERRED STOCK TRANSACTIONS

IN THOUSANDS	NON-REDEEMABLE		EMPLOYEES'		TOTAL NON-REDEEMABLE PREFERRED STOCK
	NON-REDEEMABLE PREFERRED STOCK	PREFERRED STOCK	PREFERRED STOCK	PURCHASE ACCOUNTS	

Balance January 31, 1993	\$ 6,044	\$ 2,810	\$ (549)	\$ 8,305	
Conversion of employees' preferred into \$1.50 preferred	9	(9)	-0-	-0-	
Conversion of employees' preferred into common	-0-	(199)	-0-	(199)	
Other	(60)	(58)	76	(42)	

Balance January 31, 1994	5,993	2,544	(473)	8,064	
Conversion of employees' preferred into \$1.50 preferred	3	(3)	-0-	-0-	
Conversion of employees' preferred into common	-0-	(122)	-0-	(122)	
Other	(2)	(9)	12	1	

Balance January 31, 1995	5,994	2,410	(461)	7,943	

Other	-0-	-0-	15	15	

BALANCE JANUARY 31, 1996	\$ 5,994	\$ 2,410	\$ (446)	\$ 7,958	
=====					

SUBORDINATED SERIAL PREFERRED STOCK (CUMULATIVE):

Stated and redemption values for Series 1 are \$40 per share and for Series 3 and 4 are each \$100 per share; liquidation value for Series 1--\$40 per share plus accumulated dividends and for Series 3 and 4--\$100 per share plus accumulated dividends.

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NOTE 12
SHAREHOLDERS' EQUITY, CONTINUED

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, 10% 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 August 2000, 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 which makes the rights exercisable and before a majority of the Company's common stock is acquired.

\$1.50 SUBORDINATED CUMULATIVE PREFERRED STOCK:

Stated and liquidation values and redemption price--\$30 per share.

EMPLOYEES' SUBORDINATED CONVERTIBLE PREFERRED STOCK:

Stated and liquidation values--\$30 per share.

COMMON STOCK:

Common stock-\$1 par value. Authorized: 40,000,000 shares; issued: January 31, 1996--24,844,036 shares; January 31, 1995--24,832,127 shares. There were 488,464 shares held in treasury at January 31, 1996 and 1995. Each outstanding share is entitled to one vote. At January 31, 1996, common shares were reserved as follows: 177,536 shares for conversion of preferred stock; 1,553,100 shares for the 1987 Stock Option Plan; 200,000 shares for executive stock options; 22,427 shares for the Restricted Stock Plan for Directors; and 918,248 shares for the Genesco Employee Stock Purchase Plans.

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.

GENESCO INC.
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NOTE 12
SHAREHOLDERS' EQUITY, CONTINUED

The February 1, 1993 indenture, under which the Company's 10 3/8% senior notes due 2003 were issued, limits the payment of dividends and redemptions of capital stock to the sum of \$10 million plus (i) 50% of Consolidated Net Income (as defined) after April 30, 1993 and (ii) the aggregate Net Proceeds (as defined) received from the issuance or sale of capital stock after February 1, 1993. At January 31, 1996, the Company was in a deficit position of \$109,655,000 in its ability to pay dividends.

Due to the above restrictions, the Company suspended dividends in the fourth quarter of Fiscal 1994 and now has cumulative dividend arrearages in the amount of \$192,738 for Series 1, \$209,817 for Series 3, \$175,403 for Series 4, and \$101,232 for \$1.50 Subordinated Cumulative Preferred Stock.

CHANGES IN THE SHARES OF THE COMPANY'S CAPITAL STOCK

	COMMON STOCK	REDEEMABLE PREFERRED STOCK	NON- REDEEMABLE PREFERRED STOCK	EMPLOYEES' PREFERRED STOCK
Issued at January 31, 1993	23,657,879	1,052	103,544	93,648
Exercise of options and warrants	1,101,082	-0-	-0-	-0-
Redemptions	-0-	(1,052)	(600)	-0-
Other	33,680	-0-	300	(8,857)
Issued at January 31, 1994	24,792,641	-0-	103,244	84,791
Other	39,486	-0-	50	(4,478)
Issued at January 31, 1995	24,832,127	-0-	103,294	80,313
Exercise of options	7,625	-0-	-0-	-0-
Other	4,284	-0-	-0-	-0-
Issued at January 31, 1996	24,844,036	-0-	103,294	80,313
Less treasury shares	488,464	-0-	-0-	-0-
OUTSTANDING AT JANUARY 31, 1996	24,355,572	-0-	103,294	80,313

GENESCO INC.
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NOTE 13
INCOME TAXES

The Company adopted SFAS No. 109, "Accounting For Income Taxes", effective February 1, 1993. The adoption of SFAS No. 109 had no effect on net earnings for Fiscal 1994. SFAS No. 109 permits the recognition of a deferred tax asset if it is more likely than not that the future tax benefit will be realized. The Company does not recognize a deferred tax asset except to the extent future years' deductible items will offset future years' taxable items or will, as loss carrybacks, generate a refund in the current and two previous years.

Income tax expense (benefit) is comprised of the following:

IN THOUSANDS	1996	1995	1994
Current			
U.S. federal	\$ -0-	\$(1,693)	\$(2,962)
Foreign	25	741	438
State	-0-	10	(377)
Deferred			
U.S. federal	-0-	1,699	787
Foreign	-0-	-0-	(24)
State	-0-	-0-	238
Income tax before discontinued operations	25	757	(1,900)
Discontinued operations	-0-	-0-	1,905
TOTAL INCOME TAX EXPENSE	\$ 25	\$ 757	\$ 5

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NOTE 13
INCOME TAXES, CONTINUED

Deferred tax assets and liabilities are comprised of the following:

IN THOUSANDS	JANUARY 31, 1996	JANUARY 31, 1995
Pensions	\$ (885)	\$ (885)
Other	(346)	(347)
Gross deferred tax liabilities	(1,231)	(1,232)
Net operating loss carryforwards	25,399	12,567
Net capital loss carryforwards	11,180	-0-
Provisions for discontinued operations and restructurings	8,437	24,945
Inventory valuation	1,743	7,092
Expense accruals	6,581	7,053
Goodwill amortization and writeoff	-0-	3,555
Allowances for bad debts and notes	1,711	2,456
Uniform capitalization costs	1,937	2,223
Depreciation	2,105	1,791
Pensions	692	1,881
Leases	176	1,608
Other	2,047	1,647
Tax credit carryforwards	1,200	1,496
Gross deferred tax assets	63,208	68,314
Deferred tax asset valuation allowance	(61,977)	(67,082)
NET DEFERRED TAX ASSETS	\$ -0-	\$ -0-

The Company has net operating loss carryforwards available to offset future U.S. taxable income of approximately \$65,971,000 expiring in 2010 and 2011. The Company also has capital loss carryforwards available to offset future U.S. capital gains of approximately \$29,038,000 expiring in 2001.

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NOTE 13
INCOME TAXES, CONTINUED

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

	1996	1995	1994
U. S. federal statutory rate of tax	34.00%	34.00%	34.00%
State taxes (net of federal tax benefit)	4.50	-0-	-0-
Change in valuation allowance	(38.5)	-0-	-0-
Operating losses with no current tax benefit	-0-	(34.00)	(33.27)
Other	(.01)	-0-	(.74)
EFFECTIVE TAX RATE	(.01%)	.00%	(.01%)

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NOTE 14
EMPLOYEE RETIREMENT BENEFITS

RETIREMENT PLAN

The Company sponsors a non-contributory, defined benefit pension plan. Effective January 1, 1996 the Company amended the plan to change the pension benefit formula to a cash balance formula from the 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 their cash balance account under the new formula.

Under the amended plan, 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 will be 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 is inactive will be credited with interest at the lesser of 7% or the 30 year Treasury interest rate.

PENSION EXPENSE

IN THOUSANDS	1996	1995	1994
Service cost of benefits earned during the year	\$ 1,914	\$ 2,309	\$ 1,808
Interest on projected benefit obligation	6,621	6,430	6,141
Actual return on plan assets	(12,522)	(933)	(5,341)
Deferral of current period asset gains (losses)	7,089	(4,256)	451
Amortization of prior service cost	388	388	463
Amortization of net loss	171	1,385	345
Amortization of transition obligation	983	983	983
TOTAL PENSION EXPENSE	\$ 4,644	\$ 6,306	\$ 4,850

ACTUARIAL ASSUMPTIONS

	1996	1995
Weighted average discount rate	7.00%	8.50%
Salary progression rate	5.00%	5.00%
Expected long-term rate of return on plan assets	9.50%	9.50%

GENESCO INC.
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NOTE 14
EMPLOYEE RETIREMENT BENEFITS, CONTINUED

The weighted average discount rate used to measure the benefit obligation decreased from 8.50% to 7.00% from Fiscal 1995 to Fiscal 1996. The decrease in the rate increased the accumulated benefit obligation by \$12,073,000 and increased the projected benefit obligation by \$15,661,000. The weighted average discount rate increased from 7.00% to 8.50% from Fiscal 1994 to Fiscal 1995. The increase in the rate decreased the accumulated benefit obligation by \$11,867,000 and decreased the projected benefit obligation by \$16,217,000.

The following table sets forth the funded status of the plan as of the measurement date (December 31) for the respective fiscal year:

FUNDED STATUS

IN THOUSANDS	1996	1995
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$83,833	\$68,500
Non-vested benefit obligation	1,242	1,031
Accumulated benefit obligation	\$85,075	\$69,531
Projected benefit obligation		
for services rendered to date	\$99,058	\$82,097
Plan assets at fair value, primarily		
cash equivalents, common stock, notes and		
real estate	68,550	53,760
PROJECTED BENEFIT OBLIGATION IN EXCESS OF		
PLAN ASSETS	\$30,508	\$28,337

Plan assets for 1995 include Company related assets of \$575,000 which consisted of properties leased to the Company. At January 31, 1996, there are no Company related assets in the plan.

BALANCE SHEET EFFECT

SFAS No. 87 requires the Company to recognize a pension liability (\$16,525,000 for 1996 and \$15,771,000 for 1995) equal to the amount by which the actuarial present value of the accumulated benefit obligation (\$85,075,000 for 1996 and \$69,531,000 for 1995) exceeds the fair value of the retirement plan's assets (\$68,550,000 for 1996 and \$53,760,000 for 1995). A corresponding amount is recognized as an intangible asset to the extent of the unamortized prior service cost and unamortized transition obligation. Any excess of the pension liability above the intangible pension asset is recorded as a separate component and reduction of shareholders' equity. In 1996, this resulted in the recording of an intangible asset of \$8,051,000 and a reduction to shareholders' equity of \$8,244,000. In the prior year, an intangible asset of \$9,422,000 and a reduction to shareholders' equity of \$2,613,000 was recorded in the Company's balance sheet. The increase in the charge to shareholders' equity from \$2,613,000 in Fiscal 1995 to \$8,244,000 in Fiscal 1996 results primarily from the decrease in the weighted average discount rate.

GENESCO INC.
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NOTE 14
EMPLOYEE RETIREMENT BENEFITS, CONTINUED

A reconciliation of the plan's funded status to amounts recognized in the Company's balance sheet follows:

IN THOUSANDS	1996	1995
Projected benefit obligation in excess of plan assets	\$(30,508)	\$(28,337)
Unamortized transition obligation	5,897	6,880
Unrecognized net actuarial losses	22,227	15,179
Unrecognized prior service cost	2,154	2,542
Accrued pension cost	(230)	(3,736)
Amount reflected as an intangible asset*	(8,051)	(9,422)
Amount reflected as minimum pension liability adjustment**	(8,244)	(2,613)
AMOUNT REFLECTED AS PENSION LIABILITY***	\$(16,525)	\$(15,771)

* Included in other non-current assets in the balance sheet.

** Included as a component of shareholders' equity in the balance sheet.

*** Included in other long-term liabilities in the balance sheet.

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.

Concurrent with the January 1, 1996 amendment to the pension plan (discussed previously), the Company amended the 401(k) savings plan to make matching contributions equal to 50% of each employee's contribution of up to 5% of salary. Matching funds vest after five years of service with the Company. Years of service earned prior to the adoption of this change contribute toward the vesting requirement. For the one month period since amendment to the end of the fiscal year, the contribution expense to the Company for the matching program was approximately \$40,000.

GENESCO INC.
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NOTE 15
 OTHER BENEFIT PLANS

Prior to Fiscal 1996 the Company contributed to a multiemployer pension plan applicable to all hourly-paid employees of its tailored clothing division covered by collective bargaining agreements. As a result of the Company's decision to liquidate The Greif Companies men's tailored clothing business, the Company provided for its estimated union pension withdrawal liability (see Note 2). Pension costs and amounts contributed to the plan during Fiscal 1995 and 1994 were \$1,831,000 and \$2,232,000, respectively.

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 limited benefits until age 65. Employees who meet certain requirements are eligible for life insurance benefits upon retirement.

The Company implemented SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" in the first quarter of 1994. In the past the Company expensed the cost of postretirement benefits as incurred. The adoption of SFAS No. 106, which requires the accrual of such benefits during the period in which the employee renders service, resulted in a net charge to income of \$2,273,000 for the cumulative effect of the change in accounting principle for periods prior to 1994, which were not restated. The \$2,273,000 represents the actuarial present value of the accumulated postretirement benefit obligation (the "APBO") at February 1, 1993 which the Company elected to charge in the first quarter of Fiscal 1994.

Postretirement benefit expense was \$256,000, \$217,000 and \$245,000 for Fiscal 1996, 1995 and 1994, respectively. The components of postretirement benefit expense follow:

IN THOUSANDS	1996	1995	1994
Service cost of benefits earned during the year	\$ 64	\$ 70	\$ 63
Interest cost on accumulated postretirement benefits	192	147	182
NET PERIODIC POSTRETIREMENT BENEFIT COST	\$ 256	\$ 217	\$ 245

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NOTE 15
OTHER BENEFIT PLANS, CONTINUED

The funded status of the plan and amounts recognized in the financial statements at January 31, 1996 and 1995 were as follows:

IN THOUSANDS	1996	1995
Postretirement benefit liability at beginning of year	\$ 1,929	\$ 2,447
Net periodic postretirement benefit cost	256	217
Cash expenditures for benefits	(162)	(164)
(Gain) loss due to actual experience	376	(317)
Increase (decrease) in liability due to change in discount rate	294	(254)
Postretirement benefit liability	2,693	1,929
Unrecognized net (loss) gain	(289)	381
POSTRETIREMENT BENEFIT LIABILITY RECOGNIZED IN FINANCIAL STATEMENTS	\$ 2,404	\$ 2,310

At January 31, 1995, the weighted average discount rate used to determine the APBO increased from 7.00% to 8.50% resulting in an unrecognized net gain of \$254,000. The weighted average discount rate used to determine the APBO at January 31, 1996 was 7%. The decrease from the previous year's rate of 8.5% resulted in an unrecognized loss of \$294,000. The APBO was determined using an assumed annual increase in the health care cost trend rate of 10.50% for Fiscal 1996. The trend rate is assumed to decrease gradually to 5.0% by Fiscal 2013. A one percentage point increase in the assumed health care cost trend rate would increase the APBO by approximately \$200,000 and increase the aggregate of the service and interest cost components of net periodic postretirement benefit expense for the fiscal year by approximately \$23,000.

NOTE 16
SUPPLEMENTAL CASH FLOW INFORMATION

IN THOUSANDS	1996	1995	1994
Net cash paid (received) for:			
Interest	\$ 9,146	\$ 11,227	\$ 6,865
Income taxes	(802)	(2,457)	(273)
Noncash investing and financing activities:			
Fixed assets acquired under capital leases	\$ -0-	\$ -0-	\$ 428
Business acquisitions:			
Fair value of assets acquired	\$ -0-	\$ -0-	\$ 13,119
Liabilities assumed	-0-	-0-	1,743
CASH PAID FOR ACQUISITION	\$ -0-	\$ -0-	\$ 11,376

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NOTE 17
EMPLOYEE STOCK PLANS

STOCK OPTION PLANS

	1996	1995
Options outstanding at beginning of period	1,261,904	1,363,058
Options granted - 1987 Stock Option Plan	245,500	991,375
Options granted - Genesco Employee Stock Purchase Plans	134,752	66,158
Options exercised - 1987 Stock Option Plan	(7,625)	(1,875)
Options exercised - Genesco Employee Stock Purchase Plans	(4,284)	(9,527)
Options expired - Key Executives Stock Option Plan	-0-	(22,000)
Options cancelled - Genesco Employee Stock Purchase Plans	(44,162)	(55,185)
Options cancelled - 1987 Stock Option Plan	(143,825)	(1,070,100)
Total options outstanding at end of period	1,442,260	1,261,904
Shares reserved for future options	1,051,515	1,243,780
TOTAL SHARES RESERVED	2,493,775	2,505,684

Under the 1987 Stock Option Plan, options to purchase 1,275,525 shares were outstanding at a weighted average exercise price of \$3.46 per share. These options, held by 55 individuals, expire between August 21, 1999 and December 22, 2005. Options to purchase 584,772 shares are currently exercisable.

Under the Genesco Employee Stock Purchase Plans, options to purchase approximately 166,735 shares were outstanding at a weighted average exercise price of approximately \$3.45 per share. Unless withdrawn by the participants, these options may be exercised on September 30, 1996. There are approximately 260 employees participating in the plan.

In addition to the above stock options plans, there were 200,000 executive stock options outstanding and exercisable at a weighted average exercise price of \$2.13 per share.

STOCK PURCHASE PLANS

Stock purchase accounts arising out of sales to employees prior to 1972 under certain employee stock purchase plans amounted to \$454,000 and \$469,000 at January 31, 1996 and 1995, respectively, and were secured at January 31, 1996, by 21,497 employees' preferred shares and 325 common shares. Payments on stock purchase accounts under the stock purchase plans have been indefinitely deferred. No further sales under these plans are contemplated.

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NOTE 18
LEGAL PROCEEDINGS

Tennessee Environmental Proceedings

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

New York State Environmental Proceedings

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

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

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 18
LEGAL PROCEEDINGS, CONTINUED

In November 1995 the Company responded to a request for information dated October 23, 1995 from the New York State Department of Environmental Conservation (the "Department") regarding the site of a knitting mill operated by the Company or a former subsidiary from 1965 to 1969. The Company has received notice from the Department that it deems remedial action to be necessary with respect to certain contaminants in the vicinity of the facility. The owner of the site has advised the Company that it intends to hold the Company responsible for any required remediation or other damages incident to the contamination. The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility and is unable to predict whether its liability in this connection, if any, will have a material effect on its financial condition or results of operations.

Whitehall Environmental Sampling

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 18
LEGAL PROCEEDINGS, CONTINUED

Preferred Shareholder Action

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

Texas Interference Action

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

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 19
BUSINESS SEGMENT INFORMATION

IN THOUSANDS	1996	1995	1994
SALES TO UNAFFILIATED CUSTOMERS:			
Footwear (shoes and accessories):			
Retail	\$ 243,303	\$ 234,448	\$ 231,456
Wholesale and manufacturing	191,272	228,453	236,435
TOTAL SALES	\$ 434,575	\$ 462,901	\$ 467,891
PRETAX EARNINGS (LOSS):			
Footwear (shoes and accessories):			
Retail	\$ 17,881(1)	\$ 16,925(3)	\$ (3,841)(4)
% of applicable sales	7.3%	7.2%	(1.7%)
Wholesale and manufacturing	(1,254)(2)	(12,105)(3)	873(4)
% of applicable sales	(0.7%)	(5.3%)	0.4%
Operating income (loss)	16,627	4,820	(2,968)
% of total sales	3.8%	1.0%	(0.6%)
Corporate expenses:			
Interest expense	(9,645)	(11,955)	(11,030)
Other corporate expenses	(11,238)	(15,522)(3)	(16,467)(4)
Gain on divestiture	-0-	4,900	677
TOTAL PRETAX LOSS	\$ (4,256)	\$ (17,757)	\$ (29,788)
% OF TOTAL SALES	(1.0%)	(3.8%)	(6.4%)

- (1) Includes an asset impairment loss of \$978,000.
- (2) Includes a restructuring charge in Fiscal 1996 of \$14,146,000.
- (3) Includes a restructuring charge in Fiscal 1995 as follows: Footwear Retail \$236,000, Footwear Wholesale and Manufacturing \$20,578,000 and Corporate \$1,300,000.
- (4) Includes a restructuring charge in Fiscal 1994 as follows: Footwear Retail \$8,673,000, Footwear Wholesale and Manufacturing \$3,242,000 and Corporate \$404,000.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 19
BUSINESS SEGMENT INFORMATION, CONTINUED

IN THOUSANDS	1996	1995	1994
ASSETS:			
Footwear:			
Retail	\$ 67,482	\$ 69,287	\$ 66,922
Wholesale and manufacturing	74,290	115,601	140,530
Total footwear	141,772	184,888	207,452
Men's apparel	-0-	28,984	73,644
Corporate assets	56,034	30,006	28,290
TOTAL ASSETS	\$ 197,806	\$ 243,878	\$ 309,386
DEPRECIATION AND AMORTIZATION:			
Footwear:			
Retail	\$ 4,755	\$ 4,735	\$ 5,027
Wholesale and manufacturing	1,691	2,759	3,339
Total footwear	6,446	7,494	8,366
Men's apparel	-0-	1,305	1,883
Corporate	908	455	474
TOTAL DEPRECIATION AND AMORTIZATION	\$ 7,354	\$ 9,254	\$ 10,723
ADDITIONS TO PLANT, EQUIPMENT AND CAPITAL LEASES:			
Footwear:			
Retail	\$ 4,364	\$ 3,181	\$ 3,254
Wholesale and manufacturing	2,514	2,129	3,738
Total footwear	6,878	5,310	6,992
Men's apparel	9	198	993
Corporate	1,677	242	371
TOTAL ADDITIONS TO PLANT, EQUIPMENT AND CAPITAL LEASES	\$ 8,564	\$ 5,750	\$ 8,356

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE 20
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

IN THOUSANDS	1ST QUARTER		2ND QUARTER		3RD QUARTER	
	1996	1995	1996	1995	1996	1995
Net sales	\$ 93,225	\$100,221	\$109,600	\$114,166	\$111,994	\$123,199
Gross margin	35,537	38,176	42,499	42,887	45,292	46,357
Pretax earnings (loss)	(13,322)(1)	(2,393)	(1,179)(3)	2,657(5)	4,238(6)	(22,750)(7)
Earnings (loss) before discontinued operations	(13,331)	(2,534)	(1,185)	2,285	4,231	(22,973)
Net earnings (loss)	(678)(2)	(2,673)	514(4)	(516)	4,231	(93,160)(8)
Earnings (loss) per common share:						
Before discontinued operations	(.55)	(.11)	(.05)	.09	.17	(.95)
Net earnings (loss)	(.03)	(.11)	.02	(.02)	.17	(3.83)

IN THOUSANDS	4TH QUARTER		FISCAL YEAR	
	1996	1995	1996	1995
Net sales	\$119,756	\$125,315	\$434,575	\$462,901
Gross margin	49,504	45,520	172,832	172,940
Pretax earnings (loss)	6,007(9)	4,729	(4,256)	(17,757)
Earnings (loss) before discontinued operations	6,004	4,708	(4,281)	(18,514)
Net earnings (loss)	6,004	15,157(10)	10,071	(81,192)
Earnings (loss) per common share:				
Before discontinued operations	.24	.19	(.19)	(.77)
Net earnings (loss)	.24	.62	.40	(3.35)

- (1) Includes a restructuring charge of \$14,113,000 (see Note 2).
- (2) Includes excess provision for discontinued operations of \$12,653,000 (see Note 2).
- (3) Includes a restructuring charge of \$2,216,000 (see Note 2).
- (4) Includes excess provision for discontinued operations of \$1,699,000 (see Note 2).
- (5) Includes \$4,900,000 of additional gain on the divestiture of the Company's Canadian operations.
- (6) Includes a restructuring credit of \$1,170,000 and a \$978,000 charge for impaired assets (see Note 2).
- (7) Includes a restructuring charge of \$22,114,000 (see Note 2).
- (8) Includes a provision for discontinued operations of \$68,587,000 (see Note 2).
- (9) Includes a restructuring credit of \$1,013,000 (see Note 2).
- (10) Includes \$10,449,000 gain from excess provision for discontinued operations (see Note 2).

ITEM 9, CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
ACCOUNTING AND FINANCIAL DISCLOSURE
None.

PART III

ITEM 10, DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company incorporates by reference the (i) information regarding directors of the Company appearing under the heading "Information Concerning Nominees" to be included in the Company's proxy statement relating to the annual meeting of shareholders scheduled for June 26, 1996 (the "Proxy Statement") and (ii) information regarding compliance by persons subject to Section 16(a) of the Securities Exchange Act of 1934 appearing under the heading "Compliance with Beneficial Ownership Reporting Rules" to be included in the Proxy Statement. Information regarding the executive officers of the Company appears under the heading "Executive Officers of Genesco" in this report following Item 4 of Part I.

ITEM 11, EXECUTIVE COMPENSATION

The Company incorporates by reference the (i) information regarding the compensation of directors of the Company to appear under the heading "Director Compensation" in the Proxy Statement and (ii) information regarding the compensation of the Company's executive officers to appear under the heading "Executive Compensation" in the Proxy Statement.

ITEM 12, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding beneficial ownership of the Company's voting securities by (i) the Company's directors, (ii) certain executive officers and (iii) the officers and directors of the Company as a group is incorporated by reference to the Proxy Statement.

The following information regarding beneficial ownership on March 31, 1996 (except as indicated) of the Company's voting securities is furnished with respect to each person or group of persons acting together who, as of such date, was known by the Company to be the beneficial owner of more than five percent of any class of the Company's voting securities. Beneficial ownership of the shares consists of sole voting and investment power except as otherwise noted.

NAME AND ADDRESS -----	CLASS OF STOCK* -----	NO. OF SHARES -----	PERCENT OF CLASS -----
Pioneering Management Corporation 60 State Street Boston, MA 02109	Common	1,568,000(1)	6.4

NAME AND ADDRESS -----	CLASS OF STOCK* -----	NO. OF SHARES -----	PERCENT OF CLASS -----
Jeannie Bussetti Ronald R. Bussetti 12 Carteret Drive Pomona, NY 10970	Series 1	3,000	8.1
Joseph Bussetti 52 South Lilburn Drive Garnerville, NY 10923	Series 1	2,000	5.4
Ronald R. Bussetti 12 Carteret Drive Pomona, NY 10970	Series 1	2,000	5.4
S. Robert Weltz, Jr. 415 Hot Springs Road Santa Barbara, CA 93108	Series 1	2,308	6.2
Estate of Hyman Fuhrman, Deceased c/o Sylvia Fuhrman 3801 South Ocean Drive Hollywood, FL 33020	Series 3	1,081	5.5
Clinton Grossman 3200 Park Avenue Apt. 7A-1 Bridgeport, CT 06604	Series 3	1,965(2)	10.0
Hazel Grossman 3589 S. Ocean Blvd. South Palm Beach, FL 33480	Series 3	1,074	5.5
Roselyn Grossman 3200 Park Avenue Apt. 7A-1 Bridgeport, CT 06604	Series 3	1,965(2)	10.0

NAME AND ADDRESS -----	CLASS OF STOCK*	NO. OF SHARES -----	PERCENT OF CLASS -----
Stanley Grossman 3200 Park Avenue Apt. 7A-1 Bridgeport, CT 06604	Series 3	1,965(2)	10.0
Michael Miller, Trustee Under Will of David Evins c/o Bloom Hochberg & Co., Inc. 450 7th Avenue New York, NY 10123	Series 4	5,605	34.2
Mathew Evins c/o Evins Communications Ltd. 635 Madison Ave. New York, NY 10022	Series 4	2,571	15.7
Melissa Evins 417 East 57th Street New York, NY 10022	Series 4	2,893	17.6
Reed Evins 417 East 57th Street Apt. 32B New York, NY 10022	Series 4	2,418	14.7
James H. Cheek, Jr. 221 Evelyn Avenue Nashville, TN 37205	Subordinated Cumulative Preferred	2,413	8.0

* See Note 12 to the Consolidated Financial Statements included in Item 8 and under the heading "Voting Securities" included in the Company's Proxy Statement for a more complete description of each class of stock.

- (1) This information is from a Schedule 13G dated January 8, 1996.
- (2) Owned by a trust of which Roselyn Grossman, Stanley Grossman and Clinton Grossman are trustees.

ITEM 13, CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
The Company incorporates by reference information appearing under the heading "Certain Relationships and Related Transactions" included in the Company's Proxy Statement.

PART IV

ITEM 14, EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS

The following are included in Item 8.

Report of Independent Accountants

Consolidated Balance Sheet, January 31, 1996 and January 31, 1995
 Consolidated Earnings, each of the three years ended January 31, 1996
 Consolidated Cash Flows, each of the three years ended January 31, 1996
 Consolidated Shareholders' Equity, each of the three years ended
 January 31, 1996

Notes to Consolidated Financial Statements

FINANCIAL STATEMENT SCHEDULES

II -Reserves, each of the three years ended January 31, 1996

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 70.

EXHIBITS

- (3) a. By-laws of Genesco Inc. Incorporated by reference to Exhibit (3)a to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995.
- b. Restated Charter of Genesco Inc. Incorporated by reference to Exhibit (3)b to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.
- (4) Indenture dated as of February 1, 1993 between the Company and United States Trust Company of New York relating to 10 3/8% Senior Notes due 2003. Incorporated by reference to Exhibit (4) to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.
- (10) a. Form of Split-Dollar Insurance Agreement with Executive Officers. Incorporated by reference to Exhibit (10)b to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1991.
- b. Key Executives Stock Option Plan and Form of Stock Option Agreement. Incorporated by reference to Exhibit (10)c to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.
- c. Form of Officers and Key Executives Change-in-Control Employment Agreement. Incorporated by reference to Exhibit (10)d to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.
- d. 1987 Stock Option Plan and Form of Stock Option Agreement. Incorporated by reference to Exhibit (10)e to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.

- e. Description of Adjustable Life Insurance Plan for Key Executive Officers. Incorporated by reference to pages 23-24 under the heading "Executive Compensation Life and Medical Insurance Plans" in the Company's proxy statement dated May 6, 1992.
- f. 1996 Management Incentive Compensation Plan. Incorporated by reference to Exhibit (10)f to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995.
- g. 1997 Management Incentive Compensation Plan.
- h. Other Executive Officer Personal Benefits. Incorporated by reference to pages 10-17 under the heading "Executive Compensation" in the Company's proxy statement dated May 6, 1992.
- i. Restricted Stock Plan For Directors. Incorporated by reference to Exhibit (10)k to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1992.
- j. 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.
- k. Loan Agreement dated as of January 5, 1996 among the Company and NationsBank of North Carolina, N.A. and First National Bank of Chicago.
- l. Supplemental Pension Agreement dated as of October 18, 1988 between the Company and William S. Wire II, as amended January 9, 1993. Incorporated by reference to Exhibit (10)p to the Company's Annual Report of Form 10-K for the fiscal year ended January 31, 1993.
- m. Deferred Compensation Trust Agreement dated as of February 27, 1991 between the Company and NationsBank of Tennessee for the benefit of William S. Wire, II, as amended January 9, 1993. Incorporated by reference to Exhibit (10)q to the Company's Annual Report of Form 10-K for the fiscal year ended January 31, 1993.
- n. Shareholder Rights Agreement dated as of August 8, 1990 between the Company and Chicago Trust Company of New York. Incorporated by reference to Exhibit 1 to the Registration Statement dated August 25, 1990 on Form 8-A. First Amendment to the Rights Agreement dated as of August 8, 1990. Incorporated by reference to Exhibit (10)s to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1991.
- o. Employment agreement with William S. Wire, II, dated January 9, 1993. Incorporated by reference to Exhibit (10) to the Company's Registration Statement on Form S-3 (No. 33-52858).
- p. Severance Agreement dated as of October 12, 1994, between the Company and E. Douglas Grindstaff. Incorporated by reference to Exhibit (10)y to the Company's Quarterly Report of Form 10-Q for the quarter ended October 31, 1994.
- q. Severance Agreement dated as of October 12, 1994, between the Company and Thomas B. Clark. Incorporated by reference to Exhibit (10)z to the Company's Quarterly Report of Form 10-Q for the quarter ended October 31, 1994.
- r. Form of Employment Continuation Agreement between the Company and certain executive officers. Incorporated by reference to Exhibit (10)aa to the Company's Quarterly Report of Form 10-Q for the quarter ended October 31, 1994.
- s. Nonqualified Stock Option Agreement as amended and restated through December 21, 1994 between the Company and David M. Chamberlain. Incorporated by reference to Exhibit (10)x. to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995.
- t. Nonqualified Stock Option Agreement dated as of December 21, 1994 between the Company and David M. Chamberlain. Incorporated by reference to Exhibit (10)y. to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995.

- (11) Computation of earnings per share.
- (21) Subsidiaries of the Company.
- (23) Consent of Independent Public Accountants included on page 68.
- (24) Power of Attorney
- (27) Financial Data Schedule
- (99) Financial Statements and Report of Independent Accountants with respect to the Genesco Stock Savings Plan being filed herein in lieu of filing Form 11-K pursuant to Rule 15d-21 and Financial Statements and Report of Independent Accountants to the Genesco Employee Stock Purchase Plan being filed herein in lieu of filing Form 11-K pursuant to Rule 15d-21.

Exhibits (10)a through (10)j and (10)o through (10)t are Management Contracts or Compensatory Plans or Arrangements required to be filed as Exhibits to this Form 10-K.

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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.

REPORTS ON FORM 8-K
None.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (No. 2-86509 and 33-52858) and the Registration Statements on Form S-8 (Nos. 2-61487, 2-70824, 33-15835, 33-30828, 33-35328, 33-35329 and 33-50248) of Genesco Inc. of our report dated February 27, 1996 appearing on page 27 of this Form 10-K. We also consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-35328) of Genesco Inc. of our report dated April 2, 1996 appearing on page 1 of the January 31, 1996 Genesco Stock Savings Plan Financial Statements. We also consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-62653) of Genesco Inc. of our report dated April 2, 1996 appearing on page 1 of the January 31, 1996 Genesco Employee Stock Purchase Plan Financial Statements.

/s/ PRICE WATERHOUSE LLP

Nashville, Tennessee
April 30, 1996

SIGNATURES

Pursuant to the requirements of Section 13 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/ James S. Gulmi

James S. Gulmi
Senior Vice President - Finance and Treasurer

Date: April 30, 1996

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 April, 1996.

/s/ David M. Chamberlain

David M. Chamberlain Chairman, President and Chief Executive Officer

/s/ James S. Gulmi

James S. Gulmi Senior Vice President - Finance and Treasurer
(Principal Financial Officer)

/s/ Paul D. Williams

Paul D. Williams Chief Accounting Officer

Directors:

W. Lipscomb Davis, Jr.* Joel C. Gordon*

John Diebold* William A. Williamson, Jr.*

Harry D. Garber* William S. Wire, II*

* By /s/ Roger G. Sisson

Roger G. Sisson
Attorney-In-Fact

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES

Financial Statement Schedules

January 31, 1996

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Reserves

YEAR ENDED JANUARY 31, 1996

IN THOUSANDS	BEGINNING BALANCE	ADDITIONS		INCREASES (DECREASES)	ENDING BALANCE
		CHARGED TO PROFIT AND LOSS	CHARGED TO OTHER ACCOUNTS		
Reserves deducted from assets in the balance sheet:					
Allowance for bad debts	\$1,127	3,029	55 (1)	(2,146) (2)	\$2,065
Allowance for cash discounts	117	-0-	-0-	2 (3)	119
Allowance for sales returns	540	-0-	-0-	(57) (4)	483
Allowance for customer deductions	258	-0-	-0-	726 (5)	984
Allowance for co-op advertising	537	-0-	-0-	8 (6)	545
TOTALS	\$2,579	3,029	55	(1,467)	\$4,196

YEAR ENDED JANUARY 31, 1995

IN THOUSANDS	BEGINNING BALANCE	ADDITIONS		INCREASES (DECREASES)	ENDING BALANCE
		CHARGED TO PROFIT AND LOSS	CHARGED TO OTHER ACCOUNTS		
Reserves deducted from assets in the balance sheet:					
Allowance for bad debts	\$2,065	1,222	117 (1)	(2,277) (2)	\$1,127
Allowance for cash discounts	177	-0-	-0-	(60) (3)	117
Allowance for sales returns	766	-0-	-0-	(226) (4)	540
Allowance for customer deductions	847	-0-	-0-	(589) (5)	258
Allowance for co-op advertising	719	-0-	-0-	(182) (6)	537
TOTALS	\$4,574	1,222	117	(3,334)	\$2,579

YEAR ENDED JANUARY 31, 1994

IN THOUSANDS	BEGINNING BALANCE	ADDITIONS		INCREASES (DECREASES)	ENDING BALANCE
		CHARGED TO PROFIT AND LOSS	CHARGED TO OTHER ACCOUNTS		
Reserves deducted from assets in the balance sheet:					
Allowance for bad debts	\$2,457	1,396	31 (1)	(1,819) (2)	\$2,065
Allowance for cash discounts	150	-0-	-0-	27 (3)	177
Allowance for sales returns	191	-0-	-0-	575 (4)	766
Allowance for customer deductions	-0-	-0-	-0-	847 (5)	847
Allowance for co-op advertising	961	-0-	-0-	(242) (6)	719
TOTALS	\$3,759	1,396	31	(612)	\$4,574

Note: Most subsidiaries and branches charge credit and collection expense directly to profit and loss. Adding such charges of \$279,000 in 1996, \$248,000 in 1995, and \$346,000 in 1994 to the addition above, the total bad debt expense amounted to \$3,308,000 in 1996, \$1,470,000 in 1995, and \$1,742,000 in 1994.

- (1) Bad debt recoveries.
(2) Bad debt charged to reserve and transfers to operations to be divested.
(3) Adjustment of allowance for estimated discounts to be allowed subsequent to period end on receivables at same date and transfers to operations to be divested.
(4) Adjustment of allowance for sales returns to be allowed subsequent to period end on receivables at same date and transfers to operations to be divested.

- (5) Adjustment of allowance for customer deductions to be allowed subsequent to period end on receivables at same date and transfers to operations to be divested.
- (6) Adjustment of allowance for estimated co-op advertising to be allowed subsequent to period end on receivables at same date and transfers to operations to be divested.

See Note 3 to the Consolidated Financial Statements included in Item 8.

GENESCO INC.

MANAGEMENT INCENTIVE COMPENSATION PLAN

FISCAL YEAR ENDING JANUARY 31, 1997

1. Purpose.

The purposes of the Genesco Inc. Management Incentive Compensation Plan ("the Plan") are to motivate and reward a greater degree of excellence and teamwork among the senior executives of the Company by providing incentive compensation award opportunities; to provide attractive and competitive total cash compensation opportunities for exceptional corporate and business unit performance; to reinforce the communication and achievement of the mission, objectives and goals of the Company; and to enhance the Company's ability to attract, retain and motivate the highest caliber senior executives. The purposes of the Plan shall be carried out by payment to eligible participants of annual incentive cash awards, subject to the terms and conditions of the Plan and the discretion of the Compensation Committee of the board of directors of the Company.

2. Authorization.

On March 15, 1996 the Compensation Committee approved the Plan, which is effective only with respect to the Plan Year.

3. Selection of Participants.

Participants shall be selected by the Compensation Committee, with the advice of the Chief Executive Officer, from among the full-time management employees of the Company who serve in senior operational, administrative, professional or technical capacities. The Chief Executive Officer shall not be eligible to participate in the Plan,

4. Participants Added During Plan Year.

A person selected for participation in the Plan after the beginning of the Plan Year will be eligible to earn a prorated portion of the award the participant might have otherwise earned for a full year's service under the Plan, provided the participant is actively employed as a participant under the Plan for at least 120 days during the Plan Year. The amount of the award, if any, earned by such participant shall be conclusively determined by the Compensation Committee, with the advice of the Chief Executive Officer, based on the

number of full months of the Plan Year during which the employee participated in the Plan and on such other criteria as the Compensation Committee deems relevant.

5. Disqualification for Unsatisfactory Performance.

Any participant whose performance is found to be unsatisfactory or who shall have violated in any material respect the Company's Policy on Ethical Business Conduct shall not be eligible to receive an award under the Plan. Any determination of unsatisfactory performance or of violation of the Company's Policy on Ethical Business Conduct shall be made by the Chief Executive Officer. Participants who are found ineligible due to unsatisfactory performance will be so notified in writing prior to October 31, 1996.

6. Termination of Employment.

A participant whose employment is terminated voluntarily or involuntarily, except by reason of death or voluntary retirement, prior to the end of the Plan Year shall not be eligible to receive an award under the Plan. A participant who voluntarily retires or the estate of a participant who dies during the Plan Year will be eligible to receive a prorated portion of the award the participant would have otherwise received for a full year's service under the Plan, provided the participant is actively employed as a participant under the Plan for at least 120 days during the Plan Year. The amount of any award payable to such retired participant or the estate of such deceased participant shall be conclusively determined by the Compensation Committee, with the advice of the Chief Executive Officer, based on the number of full months of the Plan Year during which the retired or deceased employee participated in the Plan and such other criteria as the Compensation Committee may deem relevant. A participant who has received or is receiving severance pay at the end of the Plan Year shall be considered a terminated employee and shall not be eligible to receive an award under the Plan.

7. Amount of Awards.

Participants are eligible to earn cash awards as specified by the Compensation Committee, will approve each participant's target award amount.

The amount of the award, if any, earned by each participant shall be based on achievement of EBIT and Asset goals of a Business Unit or Corporate Staff EBIT and Corporate Asset goals or Corporate EBIT and Total Asset goals or defined strategic business goals to be approved by the Chief Executive Officer prior to March 30, 1996 and, under certain circumstances specified in this Section 7, overall Corporate EBIT and Total Asset goals. If the applicable minimum earnings before interest and taxes and asset goals are achieved, then the amount of the award earned by a participant shall be at least 30% of the target award. The maximum award earned shall be three times the target award for all

participants below the Executive Vice President grade and three and one-half times for participants who are Executive Vice Presidents.

Subject to the limitations set forth in this Section 7, determination of awards payable to participants (i) who are Business Unit Presidents will be based 50% on Business Unit EBIT and Asset goals ("Unit Goals"), 25% on Corporate EBIT and Total Asset goals ("Corporate Goals") and 25% on defined personal performance plan strategic business goals ("Performance Plan Goals") agreed upon between the Chief Executive Officer not later than March 31 of the Plan Year; (ii) who are Business Unit participants will be based 75% on Unit Goals and 25% on Performance Plan Goals; and (iii) who are Corporate staff participants will be based 75% on Corporate Goals or 75% on Corporate Staff EBIT and Corporate Asset goals ("Corporate Staff Goals") and 25% on Performance Plan Goals agreed upon between the participant and the Chief Executive Officer not later than March 31 of the Plan Year.

The applicable Unit Goals, Corporate Goals, and Corporate Staff Goals shall be specified as a range which will serve as the basis for determining the minimum and maximum portion of a participant's award earned based on achievement of such goals.

Business Unit President's pay out as a percentage of the target payable with respect to the Corporate Goals cannot exceed the pay out percentage of the target payable with respect to the Unit Goals. None of that portion of a participant's award based on achievement of Performance Plan Goals shall be paid, unless some award on the applicable Unit Goals or for corporate staff participants, Corporate Goals or Corporate Staff Goals are payable to the participant; except that, upon recommendation of the Chief Executive Officer, the Compensation Committee may approve payment of all or a part of any portion of the award to the participant based on outstanding individual performance or achievement of significant Performance Plan Goals, notwithstanding the failure to achieve the Unit Goals, Corporate Goals, or Corporate Staff Goals. Participants may earn a multiple of the Performance Plan Goals at the same ratio earned for achievement of Unit Goals or Corporate Goals.

Unless otherwise directed by the Compensation Committee, the annual business plan approved by the Company's board of directors for purposes of the Plan shall be the principal factor considered by the Chief Executive Officer in specifying the applicable financial goals. In order to fairly and equitably reward outstanding performance, the Compensation Committee may adjust the operating results of any Business Unit or of the Company for purposes of the Plan to reflect unusual or nonrecurring charges or credits to income, changes in accounting principles and other factors not taken into consideration in establishing the applicable goals.

In the event of a significant change in the responsibilities and duties of a participant during the Plan Year, the Chief Executive Officer shall have the authority, in his sole discretion, to

terminate the participant's participation in the Plan, if such change results in diminished responsibilities, or to make such changes as he deems appropriate in (i) the target award the participant is eligible to earn, (ii) the participant's applicable goal(s) and (iii) the period during which the participants applicable target award applies.

8. Payment of Awards.

Any awards payable under the Plan (including awards with respect to participants who die or voluntarily retire during the Plan Year) will be made in cash, net of applicable withholding taxes, as soon as reasonably practicable after the end of the Plan Year, but in no event prior to the date on which the Company's audited financial statements for the Plan Year are reviewed by the audit committee of the Company's board of directors.

9. Plan Administration.

The Chief Executive Officer shall have final authority to interpret the provisions of the Plan. Interpretations by the Chief Executive Officer which are not patently inconsistent with the express provisions of the Plan shall be conclusive and binding on all participants and their designated beneficiaries. It is the responsibility of the Vice President Human Resources (i) to cause each person selected to participate in the Plan to be furnished with a copy of the Plan and to be notified in writing of such selection, the applicable goals and the range of the awards for which the participant is eligible; (ii) to cause the awards to be calculated in accordance with the Plan; and (iii) except to the extent reserved to the Chief Executive Officer or the Compensation Committee hereunder, to administer the Plan consistent with its express provisions.

10. Non-assignability.

A participant may not at any time encumber, transfer, pledge or otherwise dispose of or alienate any present or future right or expectancy that the participant may have at any time to receive any payment under the Plan. Any present or future right or expectancy to any such payment is non-assignable and shall not be subject to execution, attachment or similar process.

11. Miscellaneous.

Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any participant's employment or to change any participant's duties and responsibilities, nor confer upon any participant the right to be selected to participate in any incentive compensation plans for future years. Neither the Chief Executive Officer, the Vice President Human Resources, nor the Compensation Committee shall have any liability for any action taken or determination made under the Plan in good faith.

12. Binding on Successors.

The obligations of the Company under the Plan shall be binding upon any organization which shall succeed to all or substantially all of the assets of the Company, and the term Company, whenever used in the Plan, shall mean and include any such organization after the succession. If the subject matter of this Section 12 is covered by a change-in-control agreement or similar agreement which is more favorable to the participant than this Section 12, such other agreement shall govern to the extent applicable and to the extent inconsistent herewith.

13. Definitions.

"Asset" means the average of all the assets employed in a particular Business Unit during the Plan Year as reflected on the Company's books for internal reporting purposes (including capitalized leased rights but excluding cash, land and buildings), reduced by the amount of merchandise accounts payable for purchases of inventory.

"Business Unit" means any of the Company's business units or any combination of two or more of the profit centers which comprise Genesco Inc.

The "Chief Executive Officer" means the chairman, president and chief executive officer of the Company.

The "Company" means Genesco Inc.

The "Compensation Committee" means the compensation committee of the board of directors of the Company.

"Corporate Asset" means the average of all the assets employed in Company's continuing operations plus corporate staff departments during the Plan Year as reflected on the Company's books for internal reporting purposes (including capitalized leased rights but excluding cash, land and buildings), reduced by the amount of merchandise accounts payable for purchases of inventory.

"Corporate EBIT" means net earnings plus interest and taxes of the Company for the Plan Year determined in accordance with generally accepted accounting principles as reported in the audited financial statements of the Company for the Plan Year contained in the Company's report to shareholders for such Plan Year as adjusted for any adjustments to strategic investments/expenditures for the Business Units.

"Corporate Staff EBIT" means pretax earnings of the continuing operations plus interest of the Company for the Plan Year determined in accordance with generally accepted accounting principles as adjusted for any adjustments to strategic investments/expenditures for the Business Units.

"EBIT" of a Business Unit means pretax earnings before interest of such Business Unit as determined for corporate internal reporting purposes decreasing EBIT for strategic investments/expenditures that are below plan and increasing EBIT for strategic investments/expenditures that are approved and that are above plan.

"The "Plan" means this Management Incentive Compensation Plan for the Plan Year.

"Plan Year" means the fiscal year of the Company ending January 31, 1997.

"Total Asset" means the average of all assets less cash and accounts payable of the Company during the Plan Year as reflected on the Company's books for internal reporting purposes.

The "Vice President Human Resources" means the vice president Human Resources of Genesco Inc.

THIS LOAN AGREEMENT, dated as of January 5, 1996 (the "Loan Agreement"), is by and among GENESCO INC., a Tennessee corporation (the "Borrower"), the various banks and lending institutions on the signature pages hereto together with all assignees of such banks and lending institutions under Section 10.3(b) hereof (each a "Bank" and collectively, the "Banks"), THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as co-agent for the Banks (the "Co-Agent") and NATIONS BANK, N.A., a national banking association, as agent for the Banks (in such capacity, the "Agent").

WHEREAS, the Borrower has requested that the Banks provide a \$35,000,000.00 credit facility for the purposes hereinafter set forth;

WHEREAS, the Banks have agreed to provide the requested credit facility, and the Agent has accepted its duties hereunder, on the terms and conditions hereinafter set forth;

NOW THEREFORE, IT IS AGREED:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.1 Definitions. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms herein shall include in the singular number the plural and in the plural the singular:

"Adjusted Eurodollar Rate" means for the Interest Period for each Eurodollar Loan comprising part of the same borrowing (including conversions, extensions and renewals), a per annum interest rate equal to the per annum rate obtained by dividing (a) the rate of interest determined by the Agent to be the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the per annum rates at which deposits in U.S. dollars are offered to the Agent in the interbank eurodollar market at 11:00 a.m. (London time) (or as

soon thereafter as is practicable), in each case two Business Days before the first day of such Interest Period in an amount substantially equal to such Eurodollar Loan comprising part of such borrowing (including conversions, extensions and renewals) and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Adjusted Eurodollar Reserve Percentage, if any, for such Interest Period. As used herein, "Adjusted Eurodollar Rate Reserve Percentage" for the Interest Period for each Eurodollar Loan comprising part of the same borrowing (including conversions, extensions and renewals), means the percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including eurocurrency liabilities, as such term is defined in Regulation D (or with respect to any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Loans is determined) having a term equal to the Interest Period for which such Adjusted Eurodollar Reserve Percentage is determined.

"Applicable Margin" means,

(i) in the case of Prime Rate Loans, zero percent (0.0%); and

(ii) in the case of Eurodollar Loans, (A) one and three-quarters percent (1.75%) if the Borrower's senior unsecured long term debt rating is Ba2 or better by Moody's and BB or better by S&P or (B) two percent (2.0%) if the Borrower's senior unsecured long term debt rating is lower than Ba2 by Moody's or BB by S&P or if the Borrower's senior unsecured long term debt is not rated by Moody's and S&P.

"Business Day" means any day other than a Saturday, a Sunday, a legal holiday in Charlotte, North Carolina or Nashville, Tennessee or a day on which banking institutions are authorized by law or other governmental action to close except that in the case of Eurodollar loans, such day is also a day on which dealings between banks are carried on in U.S. dollar deposits in the interbank Eurodollar market.

"Capital Expenditures" for any period means the aggregate of all expenditures (including that portion of Capital Leases which is capitalized on the consolidated balance sheet of the Borrower and its Subsidiaries, but without duplication in the case of Capital Leases arising out of a sale-leaseback of property, plant or equipment previously acquired through Capital Expenditures by the Borrower or its Subsidiaries) by the Borrower and its Subsidiaries during that period that, in conformity with GAAP, have been or should have been included in the property, plant or equipment reflected in the consolidated balance sheet of the Borrower and its Subsidiaries, other than additions to property, plant or equipment arising out of the acquisition of the stock of any Person or of all or substantially all of the assets of any Person or of any division or business unit of any Person.

"Capital Guideline" means any law, rule, regulation, policy, guideline or directive (whether or not having the force of law and whether or not the failure to comply therewith would be unlawful, and including, without limitation, any law, rule, regulation, governmental policy, guideline or directive contemplated by the report dated July, 1988 entitled "International Convergence of Capital Measurement and Capital Standards" issued by the Basle Committee on Banking Regulations and Supervisory Practices): (i) regarding capital adequacy, capital ratios, capital requirements, the calculation of a bank's capital or similar matters, or (ii) affecting the amount of capital required to be obtained or maintained by the Banks or the manner in which the Banks allocate capital to any of their contingent liabilities (including letters of credit), advances, commitments, assets or liabilities.

"Capital Lease" as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee which would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of that Person.

"Closing Date" means the date on which this Loan Agreement is executed and delivered and each of the conditions set forth in Article IV is satisfied.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means the commitment by each Bank to make Loans and share in Letter of Credit Obligations to the Borrower hereunder in a maximum aggregate principal amount equal to each Bank's Committed Amount.

"Commitment Percentage" means, for any Bank, the percentage set forth opposite the name of such Bank on the signature pages hereto, as such percentage may be adjusted in accordance with the terms hereof.

"Committed Amount" means, for each Bank, the amount identified as its Committed Amount opposite such Bank's name on the signature pages hereto as such amount may be reduced pro rata based on reductions in the Maximum Commitment made in accordance with the terms hereof.

"Compliance Certificate" means an Officer's Certificate demonstrating in such detail as the Agent may reasonably require the Borrower's compliance with the covenants set forth in Sections 7.2, 7.3, 7.4, 7.5 and 7.10 hereof and delivered to the Banks by the Borrower pursuant to Section 6.1(d).

"Consolidated Current Maturities of Funded Indebtedness" means for any period, the principal payments required to be made in accordance with the terms thereof on all Consolidated Funded Indebtedness of the Borrower and its Subsidiaries on a consolidated basis during the immediately preceding four fiscal quarters, excluding principal payments required to be made with regard to any Loan or Loans.

"Consolidated Depreciation and Amortization" means, for any period, the depreciation and amortization of the Borrowers and its Subsidiaries on a consolidated basis determined in conformity with GAAP.

"Consolidated EBIT" means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period adjusted to exclude (to the extent included therein) Consolidated Total Income Tax Expense and Consolidated Total Net Interest Expense.

"Consolidated EBITDA" means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period adjusted to exclude (to the extent included therein) (i) Consolidated Total Income Tax Expense, (ii) Consolidated Depreciation and Amortization, (iii) Consolidated Total Net Interest Expense and (iv) other non-cash charges or credits which increased or decreased Consolidated Net Income, in each case determined for such period on a consolidated basis for such person and its Subsidiaries in accordance with GAAP, except as otherwise specifically provided herein, and to subtract therefrom the amount of all cash payments, and to add thereto the amount of all cash receipts relating to non-cash charges or credits, as the case may be, made in any period after the Closing Date that do not relate to events that occurred prior to the Closing Date and were either (A) excluded as losses or gains in the calculation of Consolidated Net Income in any period after the Closing Date or (B) which were or would have been adjustments to Consolidated EBITDA as a result of clause (iv) above in any period after the Closing Date.

"Consolidated Fixed Charge Coverage Ratio" means, as of the end of any quarterly accounting period for the immediately preceding four fiscal quarters, the ratio of (i) the sum of Consolidated EBITDA plus Consolidated Total Operating Lease Expense, minus Capital Expenditures of the Borrower and its Subsidiaries to (ii) the sum of Consolidated Total Interest Expense plus Consolidated Total Operating Lease Expense plus Consolidated Current Maturities of Funded Indebtedness excluding for such four fiscal quarter period any principal payments of Consolidated Current Maturities of Funded Indebtedness which has been

refinanced, such refinancing having a maturity beyond the Termination Date.

"Consolidated Funded Indebtedness" means, as at any date of determination, all Indebtedness of any Person that has an original maturity in excess of one year.

"Consolidated Indebtedness" means, as at any date of determination, all Indebtedness of any Person.

"Consolidated Interest Coverage Ratio" means, for the applicable period, the ratio of Consolidated EBIT to Consolidated Total Net Interest Expense.

"Consolidated Interest Income" means for any period, aggregate interest income for the Borrower and its Subsidiaries for such period.

"Consolidated Net Income" means, for any period, the net earnings (or loss) of the Borrower and its Subsidiaries on a consolidated basis for such period taken as a single accounting period, but excluding extraordinary items of gain or loss, all as determined in conformity with GAAP.

"Consolidated Net Worth" means, as at any date, the sum of the capital stock (including nonredeemable preferred stock but subtracting treasury stock) and additional paid-in capital plus retained earnings (or minus accumulated deficit) of the Borrower and its Subsidiaries, on a consolidated basis determined in conformity with GAAP.

"Consolidated Tangible Assets" means, as at any date of determination, the total assets of the Borrower and its Subsidiaries, on a consolidated basis determined in accordance with GAAP, minus intangible assets such as organization costs and franchise costs, intangible assets recorded in accordance with Financial Accounting Standards No. 87, deferred debits not relating to future tax benefits and all good will, trade names, trademarks, patents and other like intangibles.

"Consolidated Tangible Net Worth" means, as at any date of determination, Consolidated Net Worth, minus organization costs and franchise costs, deferred debits not

relating to future tax benefits and all good will, trade names, trademarks and patents.

"Consolidated Total Income Tax Expense" means, for any period, the total income tax expense of the Borrower and its Subsidiaries for such period, on a consolidated basis determined in accordance with GAAP.

"Consolidated Total Interest Expense" means, for any period, total interest expense of the Borrower and its Subsidiaries, on a consolidated basis determined in conformity with GAAP.

"Consolidated Total Net Interest Expense" means, for any period, Consolidated Total Interest Expense less Consolidated Interest Income.

"Consolidated Total Operating Lease Expense" means, for any period, total rental expense (excluding real estate taxes and other pass-through expenses) of the Borrower attributable to Operating Leases to which the Borrower and its Subsidiaries are a party, net of sublease rentals on a consolidated basis determined in accordance with GAAP for the immediately preceding fiscal year.

"Contingent Obligation" as applied to any Person, means any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend, letter of credit or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made, or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including, without limitation, any such obligation for which that Person is in effect liable through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet, income or other financial condition of the obligor of such obligation, or to make payment for any products, materials or supplies or for any transportation, services or

lease regardless of the non-delivery or non-furnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected (in whole or in part) against loss in respect thereof. The amount of any Contingent Obligation shall be equal to the amount of the obligation or portion thereof so guaranteed or otherwise supported.

"Contractual Obligation", as applied to any Person, means any provision of any Security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"Convertible Preferred Stock" means the Borrower's Cumulative Convertible Preferred Stock, without par value, issued and outstanding as of the date of this Loan Agreement.

"Current Assets" means, as at any date of determination, the total assets of any Person which may properly be classified as current assets in conformity with GAAP.

"Current Liabilities" means, as at any date of determination, the total liabilities of any Person which may properly be classified as current liabilities in conformity with GAAP.

"Designated Asset Sale" means (i) the sale by the Borrower of any its operating divisions or businesses or any of its operating Subsidiaries for a purchase price in excess of \$15,000,000 or (ii) the sale by any Subsidiary of the Borrower of any operating division or business of such Subsidiary for a purchase price in excess of \$15,000,000.

"Designated Asset Sale Date" means the date upon which any Designated Asset Sale is consummated.

"Environmental Laws" shall mean federal, state, local and foreign laws or regulations, codes, plans, orders,

decrees, judgments, injunctions, notices or demand letters issued, promulgated, approved or entered thereunder relating to: (i) pollution or protection of the environment, including, without limitation, laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes ("Regulated Substances") into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemical or industrial wastes or Regulated Substances, and/or (iii) protection of workers from exposure to Regulated Substances. "Environmental Laws" shall include, without limitation, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendment and Reauthorization Act of 1986, the Emergency Planning and Community Right-to-Know Act and the Occupational Safety and Health Act, each as amended, and the regulations and interpretations issued thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and the rulings issued thereunder.

"ERISA Affiliate", as applied to any Person, means any trade or business (whether or not incorporated) which is a member of a group of which that Person is a member and which is a member of a controlled group of corporations within the meaning of Section 414(b) of the Code or is under common control within the meaning of Section 414(c) of the Code.

"Eurodollar Loan" means a Revolving Loan which bears interest based on the Adjusted Eurodollar Rate.

"Event of Default" has the meaning specified in Article VIII.

"Excess Capital Expenditures Allowance" has the meaning assigned to that term in Subsection 7.5.4 of this Loan Agreement.

"FANB Letter of Credit Obligations" means, at any time, the sum of (a) the maximum amount which is, or at any time thereafter may become, available to be drawn under the FANB Letters of Credit then outstanding

plus (b) the aggregate amount of all drawings under the FANB Letters of Credit honored by the FANB Letter of Credit Bank and not theretofore reimbursed.

"FANB Letters of Credit" means the Letters of Credit attached hereto as Exhibit 1.1.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward to the nearest 1/100th of 1% per annum, if such average is not such a multiple) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such date, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published, on such next succeeding Business Day, the Federal Funds Rate for such date shall be the average rate quoted to NationsBank on such date on such transactions as determined by the Agent.

"Fiscal Year" means the fiscal year of the Borrower ending on January 31 of each year.

"GAAP" means, subject to the provisions of Section 10.17, generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board, and the American Institute of Certified Public Accountants and the Securities and Exchange Commission and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Indebtedness", as applied to any Person, means (i) all indebtedness for borrowed money, (ii) that portion of obligations with respect to Capital Leases which is capitalized on a balance sheet in conformity with GAAP,

(iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, including, without limitation, any indebtedness evidenced by notes issued pursuant to note agreements or indentures, (iv) any obligation owed for all or any part of the deferred purchase price of property or services which purchase price is (x) due more than six months from the date of incurrence of the obligation in respect thereof, or (y) evidenced by a note or similar written instrument, and (v) all indebtedness secured by any mortgage, pledge, Lien, security interest or vendor's interest under any conditional sale or other title retention agreement existing on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person and (vi) the maximum amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder or (to the extent not theretofore reimbursed); provided, however, that Indebtedness shall not include (i) trade payables and accrued expenses, in each case arising in the ordinary course of business, (ii) any withdrawal liability incurred by the Grief Companies division of the Borrower to the Amalgamated Pension Fund, a Multiemployer Plan, or (iii) indebtedness relating to operations divested under the restructuring plan implemented in 1995.

"Interest Payment Date" means (a) as to Prime Rate Loans, the last day of each calendar quarter and the Termination Date and (b) as to Eurodollar Loans, the last day of each Interest Period for such Loan and the Termination Date. If an Interest Payment Date falls on a date which is not a Business Day, such Interest Payment Date shall be deemed to be the next succeeding Business Day, except that in the case of Eurodollar Loans where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day.

"Interest Period" means as to Eurodollar Loans, a period of one, two or three months duration, as the Borrower may elect, commencing in each case, on the date of the borrowing (including conversions, extensions and renewals); provided, however, (i) if any

Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (ii) no Interest Period shall extend beyond the Termination Date, and (iii) where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last day of such calendar month.

"Inventories" means, as at any date of determination, the amount which, in conformity with GAAP, would be set forth opposite the caption "inventories" (or any like caption) on a consolidated balance sheet of the Borrower and its Subsidiaries at such date.

"Investment", as applied to any Person, means any direct or indirect purchase or other acquisition by that Person of, or a beneficial interest in, any other Person, whether by the acquisition of Securities of that Person or otherwise, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution by that Person to any other Person, including all indebtedness and accounts receivable from that other Person, which are not Current Assets or did not arise from sales or the providing of goods or services in the ordinary course of business. The amount of any Investment shall be the amount at which such Investment is carried on the books of the Borrower in accordance with GAAP.

"Letter of Credit Bank" means the issuer of a Letter of Credit, which shall be any of the Banks from time to time selected by the Borrower, by notice to the Agent and the then current Letter of Credit Bank, with the consent of the Bank selected; provided, however, only one Bank shall be entitled to issue Letters of Credit at any time; provided further, the designation by the Borrower of a new Letter of Credit of Bank shall relieve the prior Letter of Credit Bank of its obligation to issue additional Letters of Credit but such prior Letter of Credit Bank shall continue to be a "Letter of Credit Bank" for purposes of the Loan Agreement

(and shall be entitled to all corresponding rights and privileges) until all Letter of Credit Obligations with respect to Letters of Credit it has issued shall have been fully satisfied.

"Letter of Credit Obligations" means, at any time, the sum of (a) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding plus

(b) the aggregate amount of all drawings under or discounted advances made with respect to Letters of Credit honored by the Letter of Credit Bank and not theretofore reimbursed.

"Letters of Credit" shall have the meaning given to such term in Section 2.7 hereof.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance, of any kind to secure the payment, performance or discharge of any liability (as determined in accordance with GAAP) including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest.

"Loan" or "Loans" means a Revolving Loan or Revolving Loans, as appropriate.

"Loan Documents" means this Loan Agreement and the Notes.

"Majority Banks" means, at a particular time, Banks having an aggregate Commitment Percentage of at least 66 2/3%.

"Maximum Commitment" means \$35,000,000 from the Closing Date to and including the Termination Date, as adjusted pursuant to the terms of this Loan Agreement. The Maximum Commitment shall be reduced by the amount by which the Net Cash Proceeds generated on account of any Designated Asset Sale exceed \$40,000,000, unless such reduction would cause the Maximum Commitment to be reduced below the greater of (a) \$15,000,000; or (b) the face amount of all Letters of Credit issued and outstanding hereunder. In such event, the Maximum

Commitment shall be reduced to the greater of (a) or (b) as described in the preceding sentence.

"Moody's" means Moody's Investors Service, Inc., and any successor thereof.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA which is maintained for employees of the Borrower or any ERISA Affiliate of the Borrower.

"Net Cash Proceeds" means, with respect to any Designated Asset Sale, (a) the cash proceeds received by the Borrower or any of its Subsidiaries, minus (b) the sum of (i) reasonable fees, commissions and expenses payable to third parties and incurred by the Borrower or such Subsidiary in connection with such Designated Asset Sale, (ii) taxes estimated by the Borrower's independent public accountants of national standing (or estimated in good faith by the Borrower if such accountants are not able to make their estimation within five Business Days after the applicable Designated Asset Sale Date) to be payable by the Borrower or such Subsidiary as a result of and in connection with such Designated Asset Sale and (iii) any Indebtedness secured by a Lien on any assets subject to such Designated Asset Sale and required to be repaid in connection with such Designated Asset Sale.

"Notes" means the Revolving Notes.

"Notice of Borrowing" shall have such meaning as provided in Section 2.2(a).

"Notice of Conversion" shall have such meaning as provided in Section 3.3.

"Obligations" means all obligations of every nature of the Borrower from time to time owed to the Banks under this Loan Agreement and the Notes.

"Officer's Certificate" means a certificate executed on behalf of the Borrower by its Vice President-Finance and Chief Financial Officer, its Treasurer or its Controller.

"Operating Lease" means, as applied to any Person, any lease of any property (whether real, personal or mixed) which is not a Capital Lease, other than any such lease under which that Person is the lessor.

"Other Taxes" shall have such meaning as provided in Section 3.7.

"Pension Plan" means any employee pension plan which is subject to the provisions of Title IV of ERISA and which is maintained for employees of the Borrower or any ERISA Affiliate of the Borrower, other than a Multiemployer Plan.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

"Potential Default" means a condition or event which, after notice or lapse of time or both, would constitute an Event of Default if that condition or event were not cured or removed within any applicable grace or cure period.

"Prime Rate" means, for any Interest Period or any other period, the rate of interest announced publicly by the Agent, from time to time, as the Agent's prime rate; provided, however, with respect to the last calendar week of each calendar year, the term "Prime Rate" shall mean the greater of (i) the rate of interest announced publicly by the Agent, from time to time during such week, as the Agent's prime rate or (ii) the Federal Funds Rate plus 1/2%.

"Prime Rate Loan" means a Revolving Loan which bears interest based on the Prime Rate.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation G" means Regulation G of the Board of Governors of the Federal Reserve System as from time to

time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion of establishing margin requirements.

"Replacement Bank" shall have the meaning given to such term in Section 3.11 hereof.

"Restricted Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock of the Borrower or any of its Subsidiaries now or hereafter outstanding, except (A) dividends payable by a Subsidiary of the Borrower to the Borrower or to another Subsidiary of the Borrower, (B) dividends payable solely in shares of capital stock of the Borrower, (C) dividends payable solely through application of the proceeds of a substantially concurrent sale of shares of capital stock of the Borrower, and (D) dividends or other distributions of Shareholder Rights; and (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock of the Borrower now or hereafter outstanding, or of any Shareholder Rights, except (A) acquisitions of shares of capital stock of the Borrower issued under the Borrower's employee stock plans solely in exchange for the indebtedness of the trustee under such plans to the Borrower, (B) acquisitions of shares of capital stock of the Borrower through application of the proceeds of a substantially concurrent sale of shares of capital stock of the Borrower, (C) acquisitions of shares of capital stock of the Borrower in exchange for shares of another class of capital stock of the Borrower, including any such acquisition in which cash is paid in lieu of fractional shares, and (D) redemptions, purchases or acquisitions for value of Shareholder Rights.

"Revolving Loans" means revolving credit loans made pursuant to Section 2.1.

"Revolving Note" or "Revolving Notes" means the promissory notes of the Borrower in favor of each Bank evidencing the Revolving Loans and provided in accordance with Section 2.5, collectively or individually, as appropriate, as such promissory notes may be amended, modified, supplemented or replaced from time to time.

"S&P" means Standard & Poors Corporation, and any successor thereof.

"Securities" means any stock, shares, voting trust certificates, certificates of interest or participation in any profit-sharing agreement, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"Shareholder Right" means a right distributed to holders of the Borrower's common stock pursuant to a shareholders' rights plan adopted by the board of directors of the Borrower which (i) grants to the holder of such Right the option to acquire a share of the Borrower's capital stock on or before a future date, (ii) upon the acquisition of beneficial ownership by any Person of a specified percentage of the outstanding shares of a class of the Borrower's capital stock or of a specified percentage of the voting power of all of the Borrower's outstanding capital stock, grants to the holder of such Right the option to acquire shares of the Borrower's common stock and (iii) upon the consummation of a merger, consolidation, share exchange, sale of assets or other business combination with a Person who beneficially owns a specified percentage of the outstanding shares of a class of the Borrower's capital stock or a specified percentage of the voting power of all of the Borrower's outstanding capital stock, grants to the holder of such Right the right to acquire securities of such Person.

"Subsidiary" means any corporation, association or other business entity of which more than 50% of the total voting power of shares of stock entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"Taxes" shall have such meaning as provided in Section 3.7.

"Termination Date" means the date January 5, 1999.

"Termination Event" means (i) the withdrawal of the Borrower or any of its ERISA Affiliates from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (ii) the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination under Section 4041 of ERISA, or (iii) the institution of proceedings to terminate a Pension Plan by the Pension Benefit Guaranty Corporation, or (iv) any other event or condition which might constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan.

"Total Capital" means, as at any date of determination, as applied to any Person, (i) all Indebtedness plus
(ii) Consolidated Net Worth.

1.2 Accounting Terms. For purposes of this Loan Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP.

1.3 Other Definitional Provisions. References to "Articles", "Sections" and "Subsections" shall be to Articles, Sections and Subsections, respectively, of this Loan Agreement unless otherwise specifically provided. Any of the terms defined in Section 1.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

ARTICLE II

LOANS

2.1 Commitment. Subject to and upon the terms and conditions and relying upon the representations and warranties herein set forth, each Bank severally agrees, at any time and from time to time from the Closing Date until the Termination Date, to make revolving credit loans (each a "Revolving Loan" and, collectively, "Revolving Loans") to the Borrower for the general corporate purposes of the Borrower; provided, however, the Banks shall not be obligated to make any Revolving Loan to the extent that immediately after the making of any such Revolving Loan either the sum of the outstanding principal balance of all Revolving Loans, Letter of Credit Obligations and FANB Letter of Credit Obligations would exceed the then applicable Maximum Commitment; provided further, no Bank shall be obligated to make any Revolving Loan to the extent that immediately after the making of any such Revolving Loan such Bank's pro rata share (based upon its Commitment Percentage) of outstanding Revolving Loans and Letter of Credit Obligations shall exceed such Bank's Committed Amount. Revolving Loans hereunder may consist of Prime Rate Loans or Eurodollar Loans (or a combination thereof) as the Borrower may request, and may be repaid and reborrowed in accordance with the provisions hereof; provided, however, no more than eight (8) Loans may be outstanding hereunder at any time.

2.2 Revolving Loans Advances.

(a) Notices. Whenever the Borrower desires a Revolving Loan advance hereunder, it shall give written notice or telephonic notice (confirmed immediately thereafter in writing) (a "Notice of Borrowing") to the Agent not later than 12:00 noon (Charlotte, North Carolina time) on the Business Day of the requested advance in the case of Prime Rate Loans and on the third Business Day prior to the requested advance in the case of Eurodollar Loans. Each such notice shall be irrevocable and shall specify (i) that a Revolving Loan is requested, (ii) the date of the requested advance (which shall be a Business Day), (iii) the aggregate principal amount of Revolving Loans requested, and (iv) whether the Revolving Loan requested shall consist of Prime Rate Loans, Eurodollar Loans or a combination thereof,

and if Eurodollar Loans are requested, the Interest Periods with respect thereto. If the Borrower shall fail to specify in any Notice of Borrowing (A) an applicable Interest Period in the case of a Eurodollar Loan, then such notice shall be deemed to be a request for an Interest Period of one month or 30 days, respectively, or (B) the type of Revolving Loan requested, then such notice shall be deemed to be a request for a Prime Rate Loan hereunder. The Agent shall as promptly as practicable give each Bank notice of each requested Revolving Loan advance, of such Bank's pro rata share thereof and of the other matters covered in the Notice of Borrowing.

(b) Minimum Amounts. The aggregate minimum principal amount of each Revolving Loan advance hereunder shall be not less than \$1,000,000 (and integral multiples of \$1,000,000 in excess thereof).

(c) Advances. Each Bank will make its pro rata share of each Revolving Loan advance available to the Agent by 3:00 p.m. (Charlotte, North Carolina time) on date specified in the Notice of Borrowing by deposit in U.S. dollars of immediately available funds at the offices of the Agent in Charlotte, North Carolina as provided in signature pages, or at such other address as the Agent may designate in writing. All Revolving Loan advances shall be made by the Banks pro rata on the basis of each Bank's Commitment Percentage. No Bank shall be responsible for the failure or delay by any other Bank in its obligation to make Revolving Loan advances hereunder; provided, however, that the failure of any Bank to fulfill its commitments hereunder shall not relieve any other Bank of its commitments hereunder. Unless the Agent shall have been notified by any Bank prior to the making of any such Revolving Loan advance that such Bank does not intend to make available to the Agent its portion of the Revolving Loan advance to be made on such date, the Agent may assume that such Bank has made such amount available to the Agent on the date of such Revolving Loan advance, and the Agent, in reliance upon such assumption, may (in its sole discretion without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Borrower, the Agent shall be entitled to recover such corresponding amount from such Bank. If such Bank does not pay such corresponding amount forthwith upon the Agent's

demand therefor, the Agent will promptly notify the Borrower and the Borrower shall immediately pay such corresponding amount to the Agent. The Agent shall also be entitled to recover from such Bank or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Agent to the Borrower to the date such corresponding amount is recovered by the Agent, at a per annum rate equal to (i) if paid by such Bank, within two Business Days of making such corresponding amount available to the Borrower, the overnight Federal Funds Rate, and thereafter the Prime Rate, and (ii) if paid by the Borrower, the then applicable rate calculated in accordance with Section 2.4.

2.3 Repayment. The Revolving Loans hereunder shall be due and payable in full on the Termination Date.

2.4 Interest. Subject to the provisions of Section 3.1, Revolving Loans shall bear interest as follows:

(a) Prime Rate Loans. During such periods as Revolving Loans shall consist of Prime Rate Loans, at a per annum rate equal to sum of the Prime Rate plus the Applicable Margin.

(b) Eurodollar Loans. During such periods as the Revolving Loans shall consist of Eurodollar Loans, at a per annum rate equal to the sum of the Adjusted Eurodollar Rate plus the Applicable Margin.

(c) [Intentionally Deleted]

(d) Payment of Interest. Interest on Revolving Loans hereunder shall be payable in arrears on each Interest Payment Date.

2.5 Revolving Notes. The Revolving Loans by each Bank shall be evidenced by a duly executed promissory note of the Borrower to each such Bank dated as of the Closing Date in an original principal amount equal to such Bank's Committed Amount and substantially in the form of Exhibit 2.5.

2.6 [Intentionally left blank]

2.7 Letters of Credit.

(a) Issuance. Subject to the terms and conditions hereof, the Letter of Credit Bank has issued the Letters of Credit described on Exhibit 2.7 hereof (which Letters of Credit shall be deemed issued and outstanding hereunder upon the effectiveness of this Loan Agreement) and the Letter of Credit Bank will from time to time issue standby letters of credit and commercial letters of credit from the Closing Date until the Termination Date as the Borrower may request, each to be in a form acceptable to the Letter of Credit Bank (hereinafter the Letters of Credit described on Exhibit 2.7 and the standby letters of credit and commercial letters of credit issued on and after the Closing Date pursuant to this Section 2.7, together with all extensions, renewals, modifications and replacements thereto, shall be referred to as the "Letters of Credit"); provided, however, the Letter of Credit Bank shall not issue any Letter of Credit to the extent that immediately after the issuance of such Letter of Credit the sum of the outstanding principal balance of all Revolving Loans, Letter of Credit Obligations and FANB Letter of Credit Obligations would exceed the then applicable Maximum Commitment; provided further, the Letter of Credit Bank shall not issue any standby Letter of Credit to the extent that immediately after the issuance of such standby Letter of Credit the Letter of Credit Obligations relating to all standby Letters of Credit would exceed \$10,000,000; provided further, the Letters of Credit shall be issued solely for the general corporate purposes of the Borrower. No Letter of Credit shall have a term of more than one year. No Letter of Credit shall have an expiry date extending beyond the Termination Date nor shall any Letter of Credit have payment terms which require the Letter of Credit Bank to make a payment thereunder after the Termination Date.

(b) Notice. The request for the issuance of a Letter of Credit shall be submitted to the Letter of Credit Bank and the Agent at least three Business Days prior to the requested date of issuance. Upon the request of the Letter of Credit Bank, the Agent shall furnish the Letter of Credit Bank with all information

regarding the Revolving Loans which is necessary to enable the Letter of Credit Bank to determine whether the Letter of Credit Bank is obligated to issue the requested Letter of Credit. Upon issuance of a Letter of Credit, the Agent shall promptly notify the Banks of the amount and terms thereof. The Letter of Credit Bank shall notify the Agent promptly of all payments (whether at maturity or in advance), reimbursements, expirations, transfers and other activity with respect to outstanding Letters of Credit. Upon the request of any Bank, the Agent shall promptly notify such Bank of all of such payments (whether at maturity or in advance), reimbursements, expirations, transfers and other activity with respect to outstanding Letters of Credit.

(c) Participations. Each Bank shall be deemed to have purchased, without recourse to the Letter of Credit Bank, a participation from the Letter of Credit Bank in each Letter of Credit issued or deemed issued hereunder, in each case in an amount equal to its pro rata share (based upon its Commitment Percentage) of the amount of such Letter of Credit. Without limiting the scope and nature of each Bank's participation in any Letter of Credit, to the extent that the Letter of Credit Bank has not been reimbursed by the Borrower for any payment required to be made by the Letter of Credit Bank under any Letter of Credit, each Bank shall pay to the Agent for payment to the Letter of Credit Bank each Bank's pro rata share of such unreimbursed drawing in same day funds on the day of notification by the Letter of Credit Bank of an unreimbursed drawing pursuant to the provisions of subsection 2.7(d) (or on the next Business Day if such notification is made after 2:00 p.m. Charlotte time); provided, however, the Banks shall not be obligated to reimburse the Letter of Credit Bank as provided above to the extent that such reimbursement obligation has arisen solely on account of the gross negligence or willful misconduct of the Letter of Credit Bank, as determined by a court of competent jurisdiction. The obligation of each Bank to so reimburse the Letter of Credit Bank shall be absolute and unconditional and shall not be affected by the occurrence of a Potential Default, an Event of Default or any other occurrence or event. Any such

reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Letter of Credit Bank under any Letter of Credit, together with interest as hereinafter provided.

(d) Reimbursement. In the event of any drawing under any Letter of Credit and upon the maturity of any draft or acceptance purchased by the Letter of Credit Bank with respect to any Letter of Credit, the Letter of Credit Bank will promptly notify the Borrower and the Agent. Unless the Borrower shall immediately notify the Letter of Credit Bank of its intent to otherwise reimburse the Letter of Credit Bank, the Borrower shall be deemed to have requested a Revolving Loan in the amount of the drawing (or, in the case of advance purchase by the Letter of Credit Bank, in the amount of the draft or acceptance), the proceeds of which will be used to satisfy the reimbursement obligations of the Borrower to the Letter of Credit Bank in connection with such drawing (or advance purchase of drafts or acceptances). The Borrower shall reimburse the Letter of Credit Bank on the day of such drawing under any Letter of Credit and upon the maturity of any draft or acceptance purchased by the Letter of Credit Bank with respect to any Letter of Credit (either with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds as provided in the Letter of Credit Application. If the Borrower shall fail to reimburse the Letter of Credit Bank as provided hereinabove, the unreimbursed amount of such drawing shall bear interest at a per annum rate equal to the Prime Rate plus 2%. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of set-off, counterclaim or defense to payment the Borrower may claim or have against the Letter of Credit Bank, the Agent, the Banks, the beneficiary of any Letter of Credit or any other Person, including without limitation any defense based on any failure of the Borrower to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The Letter of Credit Bank will promptly notify the Agent and the Agent will promptly notify the other Banks of the amount of any unreimbursed amounts and each Bank will

promptly pay the Letter of Credit Bank for its pro rata share of such unreimbursed amounts as provided in subsection 2.7(c). As to any draft honored by the Letter of Credit Bank in other than U.S. currency, the reimbursement obligation of the Borrower shall be, at the Borrower's option: (i) in United States currency after application of the appropriate foreign exchange rate at the time such draft is honored by the Letter of Credit Bank, or (ii) in immediately available foreign currency funds of the same tenor as the payment by the Letter of Credit Bank. The Borrower has the risk of all currency fluctuations. For purposes of this Section 2.7(d), the appropriate foreign exchange rate shall be that rate established by the Letter of Credit Bank applicable to such foreign currency on the date such draft is honored.

(e) Amendments. Any extension of the stated expiry date of any Letter of Credit or increase in the stated amount of any Letter of Credit shall be made only upon satisfaction of all of the procedures and conditions for the issuance of a new Letter of Credit of the same type.

(f) Indemnification; Nature of Letter of Credit Bank's Duties. (i) In addition to its other obligations under this Section 2.7, the Borrower hereby agrees to protect, indemnify, pay and save the Letter of Credit Bank and each Bank harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that the Letter of Credit Bank or any Bank may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of the Letter of Credit Bank to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions, herein called "Government Acts") or (C) any action of nonaction taken at the Borrower's request with respect to any Letter of Credit.

(ii) As between the Borrower on the one hand and the Letter of Credit Bank and the Banks on the

other hand, the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. The Letter of Credit Bank and the Banks shall not be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for, issuance of and drawing under any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) for the performance of any beneficiary of a Letter of Credit of its obligations to the Borrower or any failure of any such beneficiary to comply fully with conditions required in order to draw upon a Letter of Credit; (D) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) for errors in interpretation of technical terms; (F) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (G) for any consequences arising from causes beyond the control of the Letter of Credit Bank or any Bank, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting or enforcement of the Letter of Credit Bank's or any Bank's rights or powers hereunder.

(iii) In issuing each Letter of Credit, the Letter of Credit Bank is expressly authorized to make changes from the terms set forth in the request for such Letter of Credit as the Letter of Credit Bank, in its sole discretion, may deem advisable, provided that no such changes will vary the principal terms thereof. Except as otherwise

expressly agreed in any particular instance, all Letters of Credit issued hereunder shall be subject to the "Uniform Customs and Practices for Documentary Credits" (1993 Revision), International Chamber of Commerce Publication No. 500.

(iv) If there is any discrepancy between the documents accompanying a draft or other demand for payment or acceptance under a Letter of Credit and the specifications for such documents in the Borrower's request for such Letter of Credit or the Letter of Credit, and either (A) the Letter of Credit Bank delivers electronic, telephonic or other written notice to the Borrower's principal office of such discrepancy, and the Borrower does not deliver telephonic or written instruction to the Letter of Credit Bank's letter of credit department to dishonor the draft or demand by noon, local time for the Letter of Credit Bank on the Business Day after the Business Day on which the Letter of Credit Bank shall have delivered notice to the Borrower of the discrepancy, or (B) in the case of a commercial Letter of Credit, the Borrower has obtained possession of the goods that are the subject of such Letter of Credit; then the Letter of Credit Bank may conclusively presume that the Borrower has waived any objection to payment or acceptance, as the case may be, based on such discrepancy, and the Letter of Credit Bank may, but shall not be obligated to, honor the draft or other demand under the Letter of Credit (and may honor such draft after noon on such Business Day, if such Business Day is the last day to which the Letter of Credit Bank is entitled to defer honor of such draft under applicable law). In such event, the Borrower shall be liable to the Letter of Credit Bank pursuant to subsection 2.7(d) as if the discrepancy had not been in the documents.

(v) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Letter of Credit Bank or any Bank, under or in

connection with any Letter of Credit or the related documents, if taken or omitted in good faith, shall not put such Letter of Credit Bank or such Bank under any resulting liability to the Borrower. It is the intention of the parties that this Loan Agreement shall be construed and applied to protect and indemnify the Letter of Credit Bank and the Banks against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any present or future Government Acts. The Letter of Credit Bank and the Banks shall not, in any way, be liable for any failure by the Letter of Credit Bank or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of the Letter of Credit Bank.

(vi) Nothing in this subsection (f) is intended to limit the reimbursement obligation of the Borrower contained in subsection 2.7(d). The obligations of the Borrower under this subsection (f) shall survive the termination of this Loan Agreement. No act or omissions of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Letter of Credit Bank or any Bank to enforce any right, power or benefit under this Loan Agreement.

(vii) Notwithstanding anything to the contrary contained in this subsection (f), the Borrower shall have no obligation to indemnify any Letter of Credit Bank or any Bank in respect of any liability incurred by such Letter of Credit Bank or such Bank arising solely out of the gross negligence or willful misconduct of the Letter of Credit Bank or such Bank, as the case may be, as finally determined by a court of competent jurisdiction.

2.8 Conditions of Lending.

(a) Conditions. The obligation of any Bank to make any Revolving Loan or the Letter of Credit Bank to issue any Letters of Credit hereunder is subject to satisfaction of the following conditions:

(i) receipt of a Notice of Borrowing pursuant to Section 2.2(a) or Letter of Credit Application pursuant to Section 2.7(a), as appropriate;

(ii) the representations and warranties set forth in Article V hereof shall be true and correct in all material respects as of the date of such notice or request and as of the proposed date of such Loan or the issuance of such Letter of Credit (except for those which expressly relate to an earlier date);

(iii) immediately after giving effect to the requested Loan or the issuance of the requested Letter of Credit, the sum of the outstanding principal balance of all Revolving Loans and Letter of Credit Obligations would not exceed the then applicable Maximum Commitment; and

(iv) no Potential Default or Event of Default shall exist and be continuing either prior to or after giving effect thereto.

(b) Reaffirmation. Each request for a Loan and each submission of a Letter of Credit Application shall be deemed to be a representation and warranty of the correctness of the matters specified in these subsections (a)(ii), (iii) and (iv) hereof.

2.9 Termination of Commitments. The Borrower may from time to time permanently terminate the unused Commitments in whole or in part (in minimum aggregate amounts of \$5,000,000) upon three Business Days' prior written notice to the Agent.

2.10

Fees.

(a) Upfront Fee. The Borrower agrees to pay the Banks the upfront fees specified in that certain letter

agreement of even date herewith by and between the Borrower and the Banks. Such fees shall be due and payable on January 5, 1996.

(b) Facility Fee. The Borrower shall pay to the Agent for the account of each Bank a fee for each Bank on such Bank's Committed Amount at a rate equal to one-half of one percent (.5%) per annum. The foregoing commitment fee shall be paid quarterly in arrears on the last day of each calendar quarter commencing March 31, 1996.

(c) Standby Letter of Credit Commission. In consideration of the issuance of standby Letters of Credit hereunder, the Borrower agrees to pay to the Letter of Credit Bank a letter of credit commission at a per annum rate equal the Applicable Margin for Eurodollar Loans on the maximum amount available to be drawn under each of the standby Letters of Credit from the date of issuance to the date of expiration. The foregoing commission shall be shared by the Banks (including the applicable Letter of Credit Bank in its capacity as a Bank) in accordance with their respective Commitment Percentages. The foregoing commission shall be payable in advance on the date of issuance (or extension) of each standby Letter of Credit. In addition to the foregoing, the Borrower agrees to pay a letter of credit fronting fee to the Letter of Credit Bank (for its sole account) at a per annum rate equal to 1/8% on the maximum amount available to be drawn under each of the standby Letters of Credit from the date of issuance. The foregoing fee shall be payable in advance on the date of issuance (or extension) of standby Letter of Credit.

(d) Commercial Letter of Credit Commission. In consideration of the issuance of a commercial Letter of Credit hereunder, the Borrower agrees to pay to the Letter of Credit Bank, for the ratable benefit of all of the Banks, the following amounts: (i) a letter of credit commission on the date of each drawing thereunder equal to the greater of (A) .25% of the amount of each such drawing or (B) \$100.00 and (ii) if the Letter of Credit Bank accepts or purchases any draft with respect to any Letter of Credit, an

acceptance commission equal to 2% per annum on the amount of any such draft.

In addition to the foregoing letter of credit and acceptance commission, the Borrower will pay to the Letter of Credit Bank, for its sole use and benefit, such other customary fees of the Letter of Credit Bank as may be agreed to from time to time by the Borrower and the Letter of Credit Bank.

(e) Agent's Fee. The Borrower agrees to pay to the Agent the fees specified in the letter agreement of even date herewith by and between the Borrower and the Bank, as such agreement may be modified or supplemented from time to time.

ARTICLE III

ADDITIONAL PROVISIONS REGARDING LOANS

3.1 Default Rate. Upon the occurrence, and during the continuance, of an Event of Default hereunder, the principal of and, to the extent permitted by law, interest on the Loans hereunder and any other amounts owing hereunder or under the other Loan Documents (other than amounts owing under Section 2.7(d) hereof) shall bear interest, payable on demand, at a per annum rate 2% greater than the rate which would otherwise be applicable.

3.2 Prepayments.

(a) Voluntary Prepayments. The Borrower shall have the right to prepay Loans in whole or in part from time to time without premium or penalty without prior notice with respect to Prime Rate Loans and upon one Business Day's prior written notice or telephonic notice (confirmed immediately thereafter in writing) to the Agent with respect to all other Loans; provided, however, that each such partial prepayment shall be a minimum principal amount of \$1,000,000; provided further, the Borrower shall pay all amounts payable under Section 3.6 hereof in connection with any such prepayment. Amounts prepaid on the Loans may be reborrowed in accordance with the provisions hereof.

If the Borrower shall fail to specify the manner of application, prepayments shall be applied first to Prime Rate Loans, then to Eurodollar Loans (taken as a group) in direct order of their Interest Period maturities.

(b) Mandatory Prepayments.

(i) Commitments. If at any time the sum of the outstanding principal balances of the Revolving Loans and the Letter of Credit Obligations shall exceed the then applicable Maximum Commitment, then the Borrower shall immediately pay the Agent for the account of the Banks an amount equal to the deficiency. Payments made hereunder shall be applied first, to the Revolving Loans (and with respect to the types of Revolving Loans comprising the Revolving Loans, first to Prime Rate Loans, and then to Eurodollar Loans in direct order of their Interest Period maturities), and second, to the Letter of Credit Obligations.

(ii) Clean-Down Payments. The Borrower shall reduce the outstanding principal balance of the Revolving Loans to zero for 45 consecutive days during each period beginning on December 15 of any Fiscal Year and ending on April 15 of the following Fiscal Year (commencing with the period beginning December 15, 1995 and ending on April 15, 1996).

(iii) Designated Asset Sales. Within five Business Days of each receipt by the Borrower or any of its Subsidiaries of any Net Cash Proceeds from any Designated Asset Sale, the Borrower shall prepay, or cause such Subsidiary to prepay on behalf of the Borrower, to the Agent for the account of the Banks an amount equal to the lesser of (A) the outstanding principal balance of the Revolving Loans together with all accrued and unpaid interest thereon or (B) 100% of all Net Cash Proceeds from each such Asset Sale. Prepayments pursuant to this subsection (iii) shall be applied to the Revolving Loans (and with

respect to the types of Revolving Loans comprising the Revolving Loans, first to Prime Rate Loans, and then to Eurodollar Loans in direct order of their Interest Period maturities) together with accrued and unpaid interest thereon. In addition to the foregoing, if the Net Cash Proceeds generated on account of any Designated Asset Sale exceed \$40,000,000, the Maximum Commitment shall be reduced in accordance with the definition therefor contained herein. Nothing contained in this subsection (iii) shall limit the rights of the Banks under Section 7.6 except as expressly provided for therein.

3.3 Conversion. The Borrower shall have the option, on any Business Day, to extend existing Loans into a subsequent Interest Period or to convert Loans into Loans of another type; provided, however, that (i) except as provided in Section 3.4, Eurodollar Loans may be converted into Loans of another type only on the last day of an Interest Period applicable thereto, (ii) Eurodollar Loans may be extended, and Loans may be converted into Eurodollar Loans, only if no Potential Default or Event of Default is in existence on the date of extension or conversion, (iii) Loans extended as, or converted into, Eurodollar Loans shall be in such minimum amounts as provided in Section 2.2(b), and (iv) any request for extension or conversion of a Eurodollar Loan which shall fail to specify an Interest Period shall be deemed to be a request for an Interest Period of one month or 30 days, respectively. Each such extension or conversion shall be effected by the Borrower by giving written notice (or telephone notice promptly confirmed in writing) to the Agent (including requests for extensions and renewals, a "Notice of Conversion") prior to 11:00 a.m. (Charlotte, North Carolina time) on the Business Day of, in the case of existing Prime Rate Loans, and on the third Business Day prior to, in the case of existing Eurodollar Loans, the date of the proposed extension or conversion, specifying the date of the proposed extension or conversion, the Loans to be so extended or converted, the types of Loans into which such Loans are to be converted and, if appropriate, the applicable Interest Periods with respect thereto. Each request for extension or conversion shall be deemed to be a reaffirmation by the Borrower that no Potential Default or Event of Default then exists and is continuing and that the representations and warranties set forth in Article V are true and correct in all material respects as of the date of such Notice of Conversion (except to the extent they relate to an earlier period). In the event the Borrower fails to request extension or conversion of any Eurodollar Loan in accordance with this Section, or any such conversion or extension is not permitted or required by this Section, then such Loans shall be automatically converted into Prime Rate Loans at the end of their respective Interest Periods. The Agent shall give each Bank notice as promptly as practicable of any such proposed conversion affecting any Loans.

3.4 Increased Costs, Illegality, etc. In the event any Bank shall determine (which determination shall be final and

conclusive and binding on all the parties hereto absent manifest error):

(a) Unavailability. On any date for determining the appropriate Adjusted Eurodollar Rate for any Interest Period, that by reason of any changes arising on or after the date of this Loan Agreement affecting the interbank Eurodollar market, dollar deposits in the principal amount requested are not generally available in the interbank Eurodollar market, or adequate, and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Adjusted Eurodollar Rate; then Eurodollar Loans will no longer be available, and requests for a Eurodollar Loan shall be deemed requests for Prime Rate Loans, until such time as such Bank shall notify the Borrower that the circumstances giving rise thereto no longer exist.

(b) Increased Costs. At any time, that such Bank shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to the making, the commitment to make or the maintaining of any Eurodollar Loans because of (x) any change since the date of this Loan Agreement in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or order) including without limitation the imposition, modification or deemed applicability of any reserves, deposits or similar requirements as related to Eurodollar Loans (such as, for example, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Adjusted Eurodollar Rate) and/or (y) other circumstances affecting such Bank, the interbank Eurodollar market or the position of such Bank in such market; then the Borrower shall pay to such Bank promptly upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Bank may determine in its sole discretion) as may be required to compensate such Bank for such

increased costs or reductions in amounts receivable hereunder (written notice as to the additional amounts owed to such Bank, showing the basis for calculation thereof, shall, absent manifest error, be final and conclusive and binding on all parties hereto).

(c) Illegality. At any time, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Bank in good faith with any law, governmental rule, regulation, guideline or order (or would conflict with any such governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful), or has become impractical as a result of a contingency occurring after the date of this Loan Agreement which materially and adversely affects the interbank Eurodollar market; then Eurodollar Loans will no longer be available, requests for Eurodollar Loans shall be deemed requests for Prime Rate Loans and the Borrower may, and upon direction of the Bank, shall, as promptly as possible and, in any event within the time period required by law, have any such Eurodollar Loans then outstanding converted into Prime Rate Loans.

3.5 Increased Costs and Reduced Return.

(a) If the Agent shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by, any court, central bank or other administrative or governmental authority, or the compliance by any Bank or any lending office of any Bank with any directive of or guideline from any central bank or other governmental authority or the introduction of or change in any accounting principles applicable to any Bank or any lending office of any Bank (in each case, whether or not having the force of law), shall (i) change the basis of taxation of payments to any Bank or any lending office of any Bank of any amounts payable hereunder (except for taxes on the overall income of any Bank or any lending office of any Bank), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against any Loan or Letter of Credit or against assets

of or held by, or deposits with or for the account of, or credit extended by, any Bank or any lending office of any Bank, or (iii) impose on any Bank or any lending office of any Bank any other condition regarding this Loan Agreement, and the result of any event referred to in clauses (i), (ii) or (iii) above shall be to increase the cost to any Bank or any lending office of any Bank of making any Loan, maintaining its Commitment to make any Loan or participating in any Letter of Credit, or to reduce any amount received or receivable by any Bank hereunder, then, upon demand by such Bank, the Borrower shall pay to such Bank such additional amounts as will compensate such Bank for such increased costs or reductions in amount, together with interest on such additional amounts calculated from the date such costs or reductions are incurred.

(b) If any Bank shall have determined that any Capital Guideline or adoption or implementation of, or any change in, any Capital Guideline by the governmental authority charged with the interpretation or administration thereof, or compliance by any Bank or any lending office of such Bank with any Capital Guideline or with any request or directive of any such governmental authority with respect to any Capital Guideline, or the implementation of, or any change in, any applicable accounting principles (in each case, whether or not having the force of law), either (i) affects or would affect the amount of capital required or expected to be maintained by any Bank or any lending office of such Bank, and such Bank determines that the amount of such capital is increased as a direct or indirect consequence of any Loans or Letters of Credit made or maintained or any Commitment to make Revolving Loans or to participate in Letters of Credit, or such Bank's or such lending office's other obligations hereunder, or (ii) has or would have the effect of reducing the rate of return on such Lender's or such lending office's capital to a level below that which such Bank could have achieved but for such circumstances as a consequence of any Loans made or maintained, or the Commitment to make Revolving Loans, such Bank's or such lending office's other obligations hereunder (in each case, taking into consideration the Bank's or such lending office's policies with respect

to capital adequacy), then, upon demand by such Bank, the Borrower shall pay to such Bank from time to time such additional amounts as will compensate such Bank for such cost of maintaining such increased capital or such reduction in the rate of return on the such Bank's or such lending office's capital.

(c) Upon determining in good faith that any additional amounts will be payable pursuant to this Section, any Bank will give prompt written notice thereof to the Borrower, which notice shall set forth the basis of the calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section;

provided, however, the Borrower shall not be obligated to pay any of such amounts to any such Bank until it receives the applicable notice from such Bank. Determination by any Bank of amounts owing under this Section shall, absent manifest error, be final and conclusive and binding on the parties hereto. Failure on the part of any Bank to demand compensation for any period hereunder shall not constitute a waiver of such Bank's rights to demand any such compensation in such period or in any other period.

(d) The Borrower will reimburse the Letter of Credit Bank on demand for all charges and expenses made or incurred by the Letter of Credit Bank in connection with each Letter of Credit including any increased expense to the Letter of Credit Bank resulting from the application of any tax (other than income tax), reserve requirement or deposit insurance premiums; the amount of such charges and expenses to be determined by the Letter of Credit Bank in good faith.

(e) All amounts payable under this Section 3.5 shall bear interest from the date that is three Business Days after the date of demand by any Bank until payment in full to such Bank at a per annum rate equal to the Prime Rate plus 2%.

3.6 Compensation. The Borrower shall compensate each Bank, upon its written request (which request shall set forth the basis for requesting such compensation), for all

reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Bank to fund its Eurodollar Loans) which such Bank may sustain:

(a) if for any reason (other than a default by such Bank or the Agent) a borrowing of Eurodollar Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion;

(b) if any repayment or conversion of any Eurodollar Loan occurs on a date which is not the last day of an Interest Period applicable thereto;

(c) if any prepayment of any Eurodollar Loan is not made on any date specified in a notice of prepayment given by the Borrower; or

(d) as a consequence of any other default by the Borrower to repay its Loans or any Letter of Credit Obligations when required by the terms of this Loan Agreement.

Calculation of all amounts payable to a Bank under this Section shall be made as though such Bank has actually funded its relevant Eurodollar Loan through the purchase of a Eurodollar deposit bearing interest at the Eurodollar Rate in an amount equal to the amount of that Loan, having a maturity comparable to the relevant Interest Period and in the case of Eurodollar Loans, through the transfer of such Eurodollar deposit from an offshore office of that Bank to a domestic office of that Bank in the United States of America; provided, however, that each Bank may fund each of its Eurodollar Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section.

3.7 Taxes. (a) All payments made by the Borrower hereunder, under the Notes or under any Loan Document will be made without setoff, counterclaim, deduction or other defense. All such payments shall be made free and clear of and without deduction for any present or future income, franchise, sales, use, excise, stamp or other taxes, levies, imposts, deductions, charges, fees, withholdings, restrictions or conditions of any nature now or hereafter imposed, levied, collected, withheld or

assessed by any jurisdiction (whether pursuant to United States Federal, state, local or foreign law) or by any political subdivision or taxing authority thereof or therein, and all interest, penalties or similar liabilities, excluding taxes on the overall income of a Bank or any lending office of such Bank, (such nonexcluded taxes are hereinafter collectively referred to as the "Taxes"). If the Borrower shall be required by law to deduct or to withhold any Taxes from or in respect of any amount payable hereunder, (i) the amount so payable shall be increased to the extent necessary so that after making all required deductions and withholdings (including Taxes on amounts payable to the Banks pursuant to this sentence) the Banks receive an amount equal to the sum they would have received had no such deductions or withholdings been made, (ii) the Borrower shall make such deductions or withholdings, and (iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxation authority in accordance with applicable law; provided, however, if any Bank subsequently recovers any of such deductions or withholdings, such Bank shall promptly refund to the Borrower the amount of such deductions or withholdings. Whenever any Taxes are payable by the Borrower, as promptly as possible thereafter, the Borrower shall send the Banks and the Agent an official receipt showing payment. In addition, the Borrower agrees to pay any present or future taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, performance, recordation or filing of, or otherwise with respect to, this Loan Agreement, the Notes or any other Loan Document (hereinafter referred to as "Other Taxes").

(b) The Borrower will indemnify the Banks for the amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.7) paid by any Bank and any liability (including penalties, interest and expenses for nonpayment, late payment or otherwise) whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be paid within 30 days from the date on which such Bank makes written demand; provided, however, the Borrower shall have the right to contest any such Taxes before any appropriate administrative agency or court of competent jurisdiction so long as such Bank is not adversely affected by any such contest, as reasonably determined by such Bank.

(c) Each Bank which is a foreign person (i.e., a Person other than a United States Person for United States Federal income tax purposes) hereby agrees that:

(i) it shall, no later than the Closing Date (or, in the case of a Bank which becomes a party hereto pursuant to Section 10.3(b) hereof after the Closing Date, the date upon which such Bank becomes a party hereto) deliver to the Borrower through the Agent:

(A) two accurate and complete signed originals of Form 4224, or

(B) two accurate and complete signed originals of Form 1001,

in each case indicating that such Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such lending office or offices under this Loan Agreement free from withholding of United States Federal income tax;

(ii) if at any time such Bank changes its lending office or offices or selects an additional lending office, it shall, at the same time or reasonably promptly thereafter, deliver to the Borrower through the Agent in replacement for, or in addition to, the forms previously delivered by it hereunder;

(A) if such changed or additional lending office is located in the United States, two accurate and complete signed originals of Form 4224, or

(B) otherwise, two accurate and complete signed originals of Form 1001,

in each case indicating that such Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of such changed or additional lending office under this Loan Agreement free from

withholding of United States federal income tax; and

(iii) it shall, promptly upon the Borrower's reasonable request to that effect, deliver to the Borrower such other forms or similar documentation as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Bank's tax status for withholding purposes.

(d) If the Borrower fails to perform its obligations under this Section 3.7, the Borrower shall indemnify the Banks for any incremental taxes, interest or penalties that may become payable as a result of any such failure.

3.8 Change of Lending Office. Each Bank agrees that, upon the occurrence of any event giving rise to the operation of Section 3.4(b) or (c) or 3.7, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Bank and its lending office suffer no disadvantage (including, without limitation, no economic, legal or regulatory disadvantage), with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this Section shall affect or postpone any of the obligations of the Borrower or the right of any Bank provided in Sections 3.4, 3.5, or 3.7.

3.9 Late Payment Fee. Should any principal installment payment be in default for more than 15 days, there may be imposed, to the extent permitted by law, a delinquency charge not to exceed 2% of such installment in default. In addition, at the Majority Banks' option, any overdue interest, fees and charges may, for purposes of computing and accruing interest, be deemed to be a part of the corresponding principal Obligation and interest shall accrue on a daily compounded basis after such date (at the applicable rate, including any default rate under Section 3.1) thereon.

3.10

Payments and Computations. Except as otherwise specifically provided herein, all payments hereunder shall be made to the Agent in U.S. dollars in immediately available funds at its offices in Charlotte, North Carolina not later than 11:00

a.m. (Charlotte, North Carolina time) on the date when due. Payments received after such time shall be deemed to have been received on the next succeeding Business Day. The Agent will thereafter cause to be distributed promptly like funds relating to the payment of principal or interest or fees ratably to the Banks entitled to receive such payments in accordance with the terms of this Loan Agreement. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day (subject to accrual of interest and fees for the period of such extension), except that in the case of Eurodollar Loans, if the extension would cause the payment to be made in the next following calendar month, then such payment shall instead be made on the next preceding Business Day. All computations of interest and fees shall be made on the basis of actual number of days elapsed over a year of 360 days (except for the commitment fees payable in Section 2.10 hereof which shall be based on the actual number of days elapsed over a year of 365 days). Interest shall accrue from and include the date of such Loan, but exclude the date of payment.

3.11 Replacement or Removal of Bank. In the event that the Agent receives one or more notices claiming compensation, reimbursement or indemnity (each, a "Compensation Notice") pursuant to the provisions of Sections 3.4, 3.5 or 3.7 and the aggregate amount of all such compensation, reimbursement or indemnity payments made or required to be made by the Borrower to such Bank pursuant to Sections 3.4, 3.5 or 3.7 is materially greater (as determined by the Borrower in its reasonable judgment) than the weighted average amount of payments made or required to be made to the other Banks pursuant to Sections 3.4, 3.5 or 3.7, then, so long as no Potential Default or Event of Default shall have occurred and be continuing, the Borrower may, within 60 days after receipt of any such Compensation Notice, elect to terminate such Bank as a party to this Loan Agreement. If any Bank to be terminated has a Commitment which, together with the amount of any Commitment or Commitments theretofore or concurrently therewith to be reduced in accordance with this Section 3.11, aggregates 30% or less of the aggregate Commitments, the Borrower may elect either to replace such Bank with another financial institution reasonably satisfactory to the Agent (a "Replacement Bank") or to reduce the Commitments by the amount of the Commitment of such Bank. If any Bank to be terminated has a Commitment which, together with the amount of any Commitment or Commitments theretofore or concurrently

therewith to be reduced in accordance with this Section 3.11, aggregates in excess of 30% of the aggregate Commitments, the Borrower may elect to terminate such Bank only if, together with its notice of termination, it provides to the Agent a commitment from a Replacement Bank to replace the Commitment of the terminated Bank under this Loan Agreement on the terms and conditions set forth herein. The Borrower's election to terminate a Bank under this Section 3.11 shall be set forth in a written notice from the Borrower to the Agent (with a copy to such Bank), setting forth (i) the basis for termination of such Bank, (ii) whether the Borrower intends to replace such Bank with a Replacement Bank or (if the Borrower is not required to replace such Bank) to reduce the Commitments by the amount of the Commitment of such Bank, and (iii) the date (not later than 30 days after the date of such notice) when such termination shall become effective (the "Termination Effective Date"). On the Termination Effective Date, (x) the Borrower and/or the Replacement Bank, as applicable, shall pay the terminated Bank an amount equal to all principal, interest, fees and other amounts owed to such Bank (including, without limitation, any amounts owed under Sections 3.4, 3.5 or 3.7), through the date on which such termination becomes effective, and (y) there shall have been received by the Agent all documents and supporting materials necessary, in the reasonable judgment of the Agent to evidence the substitution of the Replacement Bank for such Bank or, if there is no Replacement Bank, to reflect the adjustment of the Commitments, including, without limitation, any necessary or appropriate adjustments to the Commitment Percentages, such adjustments to the Committed Percentage of any remaining Bank to be based upon the percentage of such Bank's Committed Amount to the aggregate Committed Amounts of all of the remaining Banks.

ARTICLE IV

CONDITIONS PRECEDENT TO INITIAL LOANS AND ISSUANCE OF LETTERS OF CREDIT

The obligations of the Banks to make the initial Loan hereunder and the obligation of the Letter of Credit Bank to issue the initial Letter of Credit hereunder are subject, at the time of the making of such initial Loan to the satisfaction of the following conditions (in form and substance acceptable to the Agent):

4.1 Executed Loan Documents. Receipt by the Agent of executed copies of this Loan Agreement and the other Loan Documents and (in sufficient numbers to provide a fully executed original of each, except for the Notes, for each Bank).

4.2 No Default; Representations and Warranties. Receipt by the Agent of a certificate from the chief financial officer of the Borrower certifying that at both at the time of the making of such Loan and after giving effect thereto (i) there shall exist no Potential Default or Event of Default and (ii) all representations and warranties contained herein or in the other Loan Documents then in effect shall be true and correct in all material respects.

4.3 Opinion of Counsel. Receipt by the Agent of an opinion, or opinions, in form and substance satisfactory to the Banks, addressed to the Banks and dated as of the Closing Date from counsel to the Borrower, which shall cover the matters contained in Exhibit 4.3 hereto (in sufficient numbers to provide a fully executed original to each Bank).

4.4 Corporate Documents. Receipt by the Agent of the following:

(a) Charter Documents. Copies of the charter documents (as amended) of the Borrower certified to be true and complete as of a recent date by the appropriate governmental authority of the state of its incorporation.

(b) Resolutions. Copies of resolutions of the Board of Directors of the Borrower approving and adopting the Loan Documents, the transactions contemplated therein and authorizing execution and delivery thereof, certified by a secretary or assistant secretary as of the date of this Loan Agreement to be true and correct and in force and effect as of such date.

(c) Bylaws. A copy of the bylaws of the Borrower certified by a secretary or assistant secretary as of the date of this Loan Agreement to be true and correct and in force and effect as of such date.

(d) Good Standing. Copies of certificates of good standing, existence or its equivalent with respect to the Borrower certified as of a recent date by the appropriate governmental authorities of the state of incorporation and each of the other material states where the Borrower is currently doing business.

4.5 Termination of Existing Agreements. Receipt by the Agent of (i) evidence satisfactory to the Agent that the Borrower's existing revolving credit agreement, dated August 2, 1993, as amended, has been terminated and (ii) executed copies of the participation agreements executed by NationsBank, N.A. and The First National Bank of Chicago (the "Participants") in favor of First American National Bank whereby the Participants purchase 57.142857143% and 42.857142857% participations in the FANB Letters of Credit from First American National Bank.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Agent and the Banks that:

5.1 Organization and Power; Qualification; Good Standing; Subsidiaries.

5.1.1 Organization and Power. The Borrower and each of its Subsidiaries are corporations duly organized, validly existing and in good standing under the laws of their respective jurisdictions of incorporation and have all requisite corporate power and authority to own and operate their respective properties and to carry on their respective business as now conducted and proposed to be conducted. The Borrower has all requisite corporate power and authority to enter into this Loan Agreement and to perform its obligations hereunder.

5.1.2 Qualification; Good Standing. The Borrower is duly licensed or qualified as a foreign corporation authorized to transact business and is in good standing in each jurisdiction in which the character of the properties

owned by it or the nature of the business transacted by it makes such licensing or qualification necessary.

5.1.3 Subsidiaries. As of the Closing Date, the Borrower has no Subsidiaries other than as identified in Exhibit 5.1.3 hereto. The capital stock of each of the Borrower's Subsidiaries is duly authorized, validly issued and fully paid and nonassessable. Each of the Borrower's Subsidiaries is validly existing and in good standing under the laws of its respective jurisdiction of incorporation and is duly licensed or qualified as a foreign corporation authorized to transact business and is in good standing in each jurisdiction in which the character of the properties owned by it or the nature of the business transacted by it makes such licensing or qualification necessary. Each of the Borrower's Subsidiaries has full corporate power and authority to own its assets and properties, and to operate its business as presently owned and conducted. Exhibit 5.1.3 correctly sets forth the ownership interest of the Borrower in each of its Subsidiaries as of the Closing Date.

5.2 Authorization of Borrowing; No Conflicts; Binding Obligations; etc.

5.2.1 Authorization of Borrowing. The execution, delivery and performance by the Borrower of this Loan Agreement and the issuance, delivery and payment of the Notes have been duly authorized by all necessary corporate action by the Borrower.

5.2.2 No Conflicts. The execution, delivery and performance by the Borrower of this Loan Agreement and the issuance, delivery and payment of the Notes do not and will not (i) violate any provision of law applicable to the Borrower, the Restated Charter (as amended) or Bylaws of the Borrower or the Charter or Certificate or Articles of Incorporation or Articles of Association or Bylaws or Memoranda of Association of any Subsidiary of the Borrower, or any order, judgment or decree of any court or other agencies of government binding on the Borrower or any of its Subsidiaries (except to the extent that the provisions of Section 7.4 hereof may conflict with the preferred stock dividend and mandatory redemption provisions in the Borrower's Restated Charter, which conflict, if any, will not affect the validity or enforceability of this Loan

Agreement), (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of the Borrower or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Borrower or any of its Subsidiaries or (iv) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of the Borrower or any of its Subsidiaries.

5.2.3 Governmental Consents. The execution, delivery and performance by the Borrower of this Loan Agreement, and the issuance, delivery and performance of the Notes, do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body or other Person.

5.2.4 Binding Obligation. This Loan Agreement is, and the Notes when executed and delivered hereunder will be, the legally valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and equitable remedies.

5.3 Financial Condition; No Changes.

5.3.1 Financial Statements. The Borrower has heretofore delivered to the Banks the audited consolidated financial statements of the Borrower and its Subsidiaries for the Fiscal Years ended January 31, 1995 and 1994, consisting of the Borrower's consolidated balance sheets as at such dates and the related consolidated statements of earnings, of cash flows and shareholders equity for the Fiscal Years then ended. Such statements were prepared in accordance with GAAP and fairly present in all material respects the consolidated financial position of the Borrower and its Subsidiaries as at the date thereof and the consolidated results of operations and cash flows of the Borrower for each of the three years ended January 31, 1993, January 31, 1994 and January 31, 1995.

5.3.2 Contingent Obligations. As of the Closing Date, neither the Borrower nor any of its Subsidiaries has any material Contingent Obligation which is not reflected in the financial statements delivered pursuant to Subsection 5.3.1 or in the notes thereto or otherwise permitted by Section 7.3.

5.3.3 No Material Adverse Change. During the period February 1, 1995 through the Closing Date, there has been no change in the business, operations, properties, prospects, assets or condition (financial or otherwise) of the Borrower and its Subsidiaries which has been, either in any case or in the aggregate, materially adverse to the Borrower and its Subsidiaries, taken as a whole.

5.3.4 Restricted Payments. During the period February 1, 1993 through and including the Closing Date, the Borrower has not directly or indirectly declared, ordered, paid or made or set apart any sum of money or any property for any Restricted Payment or agreed to do so, except for the regular quarterly dividends on the Borrower's outstanding preferred stock.

5.4 Title to Properties; Liens. The Borrower and its Subsidiaries have good and legal title to all properties and assets, real and personal, tangible and intangible, reflected in the consolidated balance sheet of the Borrower as at January 31, 1995 referred to in Subsection 5.3.1 except for assets acquired or disposed of either in the ordinary course of business since the date of such consolidated balance sheet or as otherwise permitted by this Loan Agreement. All such properties and assets are free and clear of Liens, except as permitted under Section 7.1.

5.5 Litigation. Except as shown in Note 8 to the financial statements for the quarter ending October 31, 1995, and Note 20 to the financial statements for fiscal year 1994, there is no action, suit, proceeding or arbitration (whether or not purportedly on behalf of the Borrower or any of its Subsidiaries) at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, pending or to the knowledge of the Borrower threatened against or affecting the Borrower or any of its Subsidiaries or any of their

respective properties which would result in any material adverse change in the business, operations, properties and assets (real and personal, tangible and intangible) or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, or would materially adversely affect the ability of the Borrower to perform its Obligations, and there is no basis known to the Borrower for any such action, suit or proceeding.

5.6 Compliance with Law. Except as disclosed in Note 20 to the Financial Statements delivered pursuant to Subsection 5.3.1 or in Section 5.5, neither the Borrower nor any of its Subsidiaries is (i) in violation of any applicable law which materially adversely affects or may materially adversely affect the business, operations, properties and assets (real and personal, tangible and intangible) or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or which would materially adversely affect the ability of the Borrower to perform its Obligations or (ii) subject to or in default with respect to any final judgment, writ, injunction, decree, rule or regulation of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which would have a materially adverse effect on the business, operations, properties and assets (real and personal, tangible and intangible) or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or which would materially adversely affect the ability of the Borrower to perform its obligations.

5.7 Payment of Taxes. As of the Closing Date, the Borrower and its Subsidiaries have filed all federal tax returns and all other tax returns that, to the best knowledge of the Borrower's officers, after due inquiry, are required to be filed by any of them, and have paid all taxes, assessments, fees and other governmental charges upon the Borrower and its Subsidiaries and upon their respective properties and assets (real and personal, tangible and intangible), income and franchises which are due and payable in accordance with such returns, except to the extent permitted by Section 6.3. As of the Closing Date, the charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of any taxes or governmental

charges are, in the opinion of the Borrower, adequate and the Borrower does not know of any proposed tax assessment against it or any of its Subsidiaries that would be material to the condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole.

5.8 Contractual Obligations: Performance.

5.8.1 Contractual Obligations.. Except as set forth in Exhibit 5.8.1 hereto, as of the Closing Date neither the Borrower nor any of its Subsidiaries is a party to or is subject to any Contractual Obligation (other than Contractual Obligations entered into in the ordinary course of business of the Borrower and its Subsidiaries or as otherwise permitted by this Loan Agreement) that is material to the Borrower and its Subsidiaries, taken as a whole. None of such Contractual Obligations in existence as of the Closing Date will materially adversely affect the ability of the Borrower to perform its Obligations.

5.8.2 Performance. Neither the Borrower nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation of the Borrower and any of its Subsidiaries and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default, except where the consequences, direct or indirect, of such default or defaults, if any, would not have a material adverse effect on the business, properties and assets (real and personal, tangible and intangible) operations or condition (financial or otherwise), of the Borrower and its Subsidiaries, taken as a whole, and which would not materially adversely affect the ability of the Borrower to perform its Obligations.

5.9 Environmental Protection. As of the Closing Date, the Borrower and each of its Subsidiaries has obtained all material permits, licenses and other authorizations that are required with respect to the operation of its business under any Environmental Law; the Borrower and each of its Subsidiaries is in compliance with all terms and conditions of the required permits, licenses and authorizations, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements,

obligations, schedules and timetables contained in the Environmental Laws, except to the extent that the failure to comply therewith would not result in any material adverse change in the business, operations, properties and assets (real and personal, tangible and intangible) or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or materially adversely affect the ability of the Borrower to perform its Obligations; including the matters set forth in Note 20 to the financial statements delivered pursuant to Subsection 5.3.1, there is no civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, investigation, proceeding, notice or demand letter pending or threatened against the Borrower or any of its Subsidiaries relating in any way to the Environmental Laws which would result in any material adverse change in the business, operations, properties and assets (real and personal, tangible and intangible) or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or which would materially adversely affect the ability of the Borrower to perform its Obligations; and there are no past or present (or, to the best of the Borrower's knowledge, future) events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere with or prevent compliance or continued compliance with the Environmental Laws, or which may give rise to any common law or other legal liability, including, without limitation, liability under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any similar state, local or foreign laws, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, notice of violation, study or investigation, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling, or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical or industrial, toxic or hazardous substance or waste, except to the extent that such non-compliance or liability would not result in any material adverse change in the business, operations, properties and assets (real and personal, tangible and intangible) or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or materially adversely affect the ability of the Borrower to perform its Obligations.

5.10 Employee Benefit Plans. The Borrower and each of its Subsidiaries and each of their respective ERISA Affiliates is in compliance in all material respects with any applicable provisions of the Code and ERISA and the regulations and published interpretations thereunder with respect to all Pension Plans and Multiemployer Plans. As of the Closing Date, no Termination Event has occurred or is reasonably expected to occur with respect to any Pension Plan and neither the Borrower, any of its Subsidiaries nor any of their respective ERISA Affiliates has incurred or reasonably expects to incur any withdrawal liability under ERISA to any Multiemployer Plan, other than the withdrawal liability of the Greif Companies to the ACTWV Pension Fund.

5.11 Certain Fees. No broker's or finder's fee or commission will be payable by or on behalf of the Borrower with respect to this Loan Agreement or the transactions contemplated hereby, and the Borrower hereby indemnifies the Banks against and agrees that it will hold the Banks harmless from any claim, demand or liability for broker's or finder's fees alleged to have been incurred by the Borrower in connection with this Loan Agreement or the transactions contemplated hereby.

5.12 Defaults. No Event of Default or Potential Default exists under this Loan Agreement.

5.13 Disclosure. As of the Closing Date, there is no fact known to the Borrower which materially adversely affects the business, operations, properties and assets (real and personal, tangible and intangible) or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, which has not been disclosed herein or in such other documents, certificates and statements furnished to the Banks for use in connection with the transactions contemplated hereby.

5.14 Margin Stock. None of such Loans or Letters of Credit will be used for the purpose of purchasing or carrying any "margin stock" as defined in Regulations U, Regulation X or Regulation G, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry "margin stock" or for any other purpose which might constitute this transaction a "purpose credit"

within the meaning of Regulation U, Regulation X or Regulation G.

ARTICLE VI

AFFIRMATIVE COVENANTS

The Borrower hereby covenants and agrees that so long as this Loan Agreement is in effect and until the Loans and Letter of Credit Obligations, together with interest, fees and all other Obligations hereunder, have been paid in full and the Commitments hereunder shall have terminated:

6.1 Financial Statements and Other Reports. The Borrower will maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements of the Borrower in conformity with GAAP. The Borrower will deliver to each of the Banks:

(a) as soon as practicable and in any event within 30 days after the end of each calendar month (other than January) in each of the Borrower's Fiscal Years, and as soon as practicable after the end of the month of January, an unaudited consolidated balance sheet and income and cash flow statements of the Borrower and its Subsidiaries as at the end of the accounting month corresponding to such calendar month and for the year-to-date period then ended in the form prepared by the Borrower for its own use, but in any event setting forth, in comparative form, the consolidated figures for the corresponding periods of the previous Fiscal Year and the consolidated figures included in the operating plan delivered to the Banks pursuant to Section 6.1(k), all in reasonable detail;

(b) as soon as practicable and in any event within 60 days after the end of each fiscal quarter in each of the Borrower's Fiscal Years, other than the fourth fiscal quarter, an unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such period and the related unaudited

consolidated statements of earnings and shareholders equity of the Borrower and its Subsidiaries for such fiscal quarter setting forth in comparative form the consolidated figures for the corresponding periods of the previous Fiscal Year;

(c) as soon as practicable and in any event within 100 days after the end of each Fiscal Year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such Fiscal Year and the related consolidated statements of earnings, of cash flows and of shareholders equity of the Borrower and its Subsidiaries for such Fiscal Year, setting forth in comparative form the consolidated figures for the previous Fiscal Year, all in reasonable detail and accompanied by an opinion thereon of a firm of independent public accountants of recognized national standing selected by the Borrower, which opinion shall not be subject to a "going concern" or similar qualification, to the effect that such consolidated financial statements have been prepared in accordance with GAAP and present fairly the financial condition of the Borrower reported on and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(d) together with each delivery of financial statements of the Borrower and its Subsidiaries pursuant to paragraph (b) and (c) above, a statement signed by its Vice President-Finance and Chief Financial officer, Treasurer or Controller to the effect that no Event of Default or Potential Default exists, and that such financial statements present fairly the financial position of the Borrower and its Subsidiaries and the results of their operations for the period covered thereby, and together with each delivery of financial statements of the Borrower and its Subsidiaries pursuant to paragraphs (b) and (c) above, a Compliance Certificate demonstrating in reasonable detail compliance during and at the end of

such accounting periods with the restrictions contained in Sections 7.2, 7.3, 7.4, 7.5 and 7.10;

(e) together with each delivery of financial statements of the Borrower and its Subsidiaries pursuant to paragraph (c) above, a certificate of the accountants addressed to the Agent and the Banks who rendered the opinion with respect to such financial statements, stating that they have read this Loan Agreement and stating further whether, in making their audit, such accountants have become aware of any Event of Default or Potential Default under any of the terms or provisions of Sections 7.4, 7.5 and 7.10 of this Loan Agreement insofar as any such terms or provisions pertain to or involve accounting matters or determinations, and if any such condition or event then exists, specifying the nature thereof;

(f) promptly upon receipt thereof, copies of all reports submitted to the Borrower by independent public accountants in connection with each annual, interim or special audit of the financial statements of the Borrower made by such accountants, including, without limitation, any report to the audit committee of the Borrower's board of directors on internal controls or other similar reports submitted by such accountants in connection with their annual audit;

(g) promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Borrower to its security holders or by any Subsidiary of the Borrower to its security holders other than the Borrower or another Subsidiary, of all regular and periodic reports and all registration statements and prospectuses, if any, filed by the Borrower or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any of its functions, and of all press releases and other statements made available generally by the Borrower or any Subsidiary to the public concerning material developments in the business of the Borrower and its Subsidiaries;

(h) promptly upon becoming aware (i) of any condition or event which constitutes an Event of Default or Potential Default, or that any Bank, the Co-Agent or the Agent has given any notice or taken any other action with respect to a claimed Event of Default or Potential Default under this Loan Agreement, (ii) that any Person has given any notice to the Borrower or any Subsidiary of the Borrower or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 8.1.2, (iii) of the institution of any litigation involving an alleged liability of the Borrower or any of its Subsidiaries equal to or greater than \$10,000,000, individually or in the aggregate for all such litigation, or any adverse determination in any litigation involving a potential liability of the Borrower or any of its Subsidiaries equal to or greater than \$3,500,000, individually or in the aggregate for all related litigation, (iv) that any civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, investigation or proceeding is pending or threatened against the Borrower or any of its Subsidiaries, including, without limitation, with respect to any Environmental Laws, involving potential liability, penalties or sanctions (including, without limitation, estimated cleanup costs), equal to or greater than \$10,000,000, individually or in the aggregate, or any adverse determination in any of the foregoing involving potential liability of the Borrower or any of its Subsidiaries equal to or greater than \$3,500,000, individually or in the aggregate, (v) of any condition or event which would be required to be disclosed in a current report filed by the Borrower with the Securities and Exchange Commission on Form 8-K (Items 1, 2, 4 and 5 of such Form as in effect on the date hereof) if the Borrower were required to file such reports under the Securities Exchange Act of 1934, as amended from time to time, and any successor statute, or (vi) of a material adverse change in the business, operations, properties and assets (real and personal, tangible and intangible) condition or prospects (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, an Officer's Certificate specifying the nature and period of existence of any such condition or event, or specifying

the notice given or action taken by such Person and the nature of such claimed default, Event of Default, Potential Default, event or condition, and what action the Borrower has taken, is taking and proposes to take with respect thereto;

(i) promptly upon becoming aware of the occurrence of any (i) Termination Event, or (ii) non-exempt "prohibited transaction," as such term is defined in Section 4975 of the Code, in connection with any Pension Plan or any trust created thereunder, a written notice specifying the nature thereof, what action the Borrower has taken, is taking or proposes to take with respect thereto, and, when known, any action taken or threatened by the Internal Revenue Service, the United States Department of Labor or the Pension Benefit Guaranty Corporation with respect thereto;

(j) with reasonable promptness, copies of (i) all notices received by the Borrower or any of its ERISA Affiliates of the Pension Benefit Guaranty Corporation's intent to terminate any Pension Plan or to have a trustee appointed to administer any Pension Plan; (ii) all notices received by the Borrower or any of its ERISA Affiliates from a Multiemployer Plan sponsor concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA; (iii) any application for the waiver or extension of the minimum funding requirements of the Code or ERISA; (iv) any notice of the failure of any Pension Plan to meet the minimum funding standards which is required under Section 101(d) of ERISA; and (v) any notice of the intent to terminate any Pension Plan which is required under Section 4041(2) of ERISA;

(k) as soon as practicable and in any event within ninety (90) days after the beginning of each Fiscal Year, the consolidated balance sheets, income statements and cash flow statements included in the Borrower's operating plan for such Fiscal Year, on a monthly basis;

(l) with reasonable promptness, notice of the date the Borrower has complied with the provisions of

Section 3.2(b)(ii) with respect to any applicable 45 day period thereunder; and

(k) with reasonable promptness, such other information and data with respect to the Borrower or any of its Subsidiaries as from time to time may be reasonably requested by any Bank.

6.2 Corporate Existence, etc. The Borrower will at all times preserve and keep in full force and effect its corporate existence and rights and franchises material to its business and, except as permitted under Section 7.6, those of each of its Subsidiaries; provided, that the Borrower shall not be required to preserve and keep in full force and effect the corporate existence of any Subsidiary of the Borrower or any right or franchise if the Borrower reasonably determines that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or any Subsidiary of the Borrower and that the loss thereof is not disadvantageous in any material respect to the Banks.

6.3 Payment of Taxes and Claims. The Borrower will, and will cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets (real and personal, tangible and intangible) or in respect of any of its franchises, business, income or property, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien upon any of its properties or assets (real and personal, tangible and intangible); provided, that no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor.

6.4 Maintenance of Properties; Insurance. The Borrower will maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all material properties used or owned or leased in the business of the Borrower and its Subsidiaries and from time to time will make or cause to be made all appropriate

repairs, renewals and replacements thereof unless disposed of in the ordinary course of business of the Borrower and its Subsidiaries or as otherwise permitted by this Loan Agreement. The Borrower will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to its properties and business and the properties and business of its Subsidiaries against loss or damage of the kinds customarily insured against by business entities of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other business entities; provided, that the Borrower may maintain reasonable self-insurance (including reasonable deductibles or similar loss or retained risk thresholds).

6.5 Inspection. The Borrower will permit any authorized representatives designated by any Bank to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom, and to discuss its and their affairs, finances and accounts with its and their officers, all upon reasonable notice and at such reasonable times during normal business hours and as often as may be reasonably requested. Each Bank confirms to the Borrower that it is the policy and practice of such Bank to maintain in confidence all proprietary or confidential information received by it from its customers, and that it will use efforts to protect the confidentiality of such information commensurate with its efforts to maintain the confidentiality of its own proprietary or confidential information, subject to any obligation it may have to disclose such information to assignees or participants described in Section 10.3 hereof, and subject to any requirement that such information be disclosed in connection with any judicial, administrative or governmental proceeding or to any regulatory authority having jurisdiction over any of the Banks or their respective operations, or otherwise under lawful compulsion.

6.6 Security for Obligations. If the Borrower or any of its Subsidiaries shall create or assume any Lien upon any of its properties or assets (real and personal, tangible and intangible), whether now owned or hereafter acquired, other than Liens permitted by the provisions of Section 7.1, it

shall, within 15 days after the creation of such Lien, make or cause to be made effective provision whereby the Obligations will be secured by such Lien equally and ratably with any and all other Indebtedness thereby secured or entitled to be secured as long as any such other Indebtedness shall be so secured; provided, that this covenant shall not be construed as consent by the Banks to any violation by the Borrower of the provisions of Section 7.1.

6.7 Compliance with Laws, etc. The Borrower and its Subsidiaries shall comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including, without limitation, all Environmental Laws, noncompliance with which would materially adversely affect the business, properties and assets (real and personal, tangible and intangible) operations or condition (financial or otherwise) of the Borrower or any of its Subsidiaries.

6.8 Pari Passu. All the payment obligations of the Borrower arising under or pursuant to the Loan Documents will at all times rank pari passu with all other unsecured and unsubordinated payment obligations and liabilities (including contingent obligations and liabilities) of the Borrower (other than those which are mandatorily preferred by laws or regulations of general application).

ARTICLE VII

NEGATIVE COVENANTS

The Borrower hereby covenants and agrees that so long as this Loan Agreement is in effect and until the Loans and Letter of Credit Obligations, together with interest, fees and all other Obligations hereunder, have been paid in full and the Commitments hereunder shall have terminated:

7.1 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Borrower or any of its Subsidiaries, whether now owned or hereafter acquired, or any income or profits therefrom, except:

(a) Liens for taxes, assessments or governmental charges or claims the payment of which is not at the time required by Section 6.3;

(b) Statutory Liens of landlords and Liens of carriers, warehouses, mechanics, materialmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor, and deposits made to obtain the release of such Liens;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety, stay, appeal or customs bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(d) Any attachment or judgment Lien not constituting an Event of Default pursuant to Section 8.8 hereof;

(e) Liens of mortgages or pledges by Subsidiaries of the Borrower of all or part of their assets as security for Indebtedness owing by them to the Borrower or to another Subsidiary of the Borrower;

(f) The pledge by the Borrower or any Subsidiary of the Borrower of documents representing merchandise being exported to any place outside the continental limits of the United States of America in connection with the discount or sale of foreign drafts or in connection with other similar methods of financing such export shipments;

(g) Liens on supplies or materials of the Borrower or any Subsidiary of the Borrower to secure advances from the United States Government or from any

agency or instrumentality thereof in connection with any contract with such government, agency or instrumentality for the manufacture of such supplies or materials, to which the Borrower or any Subsidiary of the Borrower is a party, directly or indirectly;

(h) Capital Leases and Operating Leases, and all liens, rights of reverter and other possessory rights of the lessors thereunder;

(i) Zoning restrictions, easements, rights-of-way or other restrictions on the use of real property, and minor irregularities in the title thereto; and any other Liens and encumbrances similar to those described in this paragraph (i) that were not incurred in connection with the borrowing of money or the obtaining of advances or credits; provided, that all of the foregoing do not in the aggregate materially detract from the value of the property of the Borrower and its Subsidiaries or materially impair the use thereof in the operation of their respective businesses or the marketability thereof;

(j) Purchase money security interests granted in connection with the acquisition of fixed assets, provided, that the acquisition thereof is permitted by Subsection 7.5.4 and such Liens attach only to the property acquired thereby;

(k) Security interests, conditional sales agreements, hire purchase agreements and/or other title retention arrangements securing Indebtedness not in excess of \$600,000 and encumbering assets with a fair market value not in excess of \$600,000 that were acquired in connection with the acquisition of the Mitre Sports business owned by a subsidiary of Grampian Holdings p.l.c.;

(l) Liens on accounts receivable which have been sold or discounted by the Borrower by means of a securitization for purposes of securing the obligations incurred by the Borrower in connection with such sale provided that (i) the outstanding amount of accounts receivable so sold or discounted by the Borrower in the aggregate at any time shall not exceed 50% of the face

amount of all such receivables, (ii) the accounts receivable so sold or discounted are substantially similar in credit quality to the accounts receivable retained by the Borrower and (iii) the proceeds of such sales shall be used to prepay the Obligations and permanently reduce the Committed Amounts; and

(m) Liens securing obligations under commercial letters of credit issued to enable the Borrower or any of its Subsidiaries to acquire inventory, provided that such Liens are limited to the inventory being acquired.

7.2 Investments. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, make or own any Investment in any Person, except:

(a) The Borrower and its Subsidiaries may make and own Investments in (i) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States of America, in each case maturing within one year from the date of acquisition thereof, (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having the highest rating obtainable from either S&P or Moody's, (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating in one of the two highest rating categories of S&P or Moody's, (iv) certificates of deposit, bankers, acceptances or time deposits maturing within one year from the date of acquisition thereof issued by any of the Banks or any affiliate of any of the Banks, (v) certificates of deposit or bankers, acceptances maturing within one year from the date of acquisition thereof or time deposits maturing within 30 days from the date of acquisition thereof issued by other commercial banks organized under the laws of the United States of America or any state thereof or the District of Columbia, each having shareholders' equity of not less

than \$125,000,000, or other commercial banks organized under the laws of a foreign country, each having shareholders, equity of not less than \$500,000,000, (vi) repurchase agreements with commercial banks or with securities dealers, in any case fully secured as to principal and interest by obligations described in clauses (i)-(v) of this paragraph (a), and (vii) money market funds given the highest rating by S&P or Moody's and with assets of not less than \$500,000,000;

(b) The Borrower may make and own Investments consisting of advances, loans, extensions of credit to or purchases of Securities of, or other Investments in, its Subsidiaries, and the Borrower's Subsidiaries may make and own Investments consisting of advances, loans, extensions of credit or purchases of Securities of, or other investments in, the Borrower and Subsidiaries of the Borrower;

(c) The Borrower and its Subsidiaries may make and own loans or advances to the trustee of various employee incentive and stock purchase plans of the Borrower, not to exceed \$19,000,000 in the aggregate at any one time outstanding;

(d) The Borrower and its Subsidiaries may continue to own Investments reflected in the financial statements delivered pursuant to Subsection 5.1.3 hereof; and

(e) The Borrower and its Subsidiaries may make and own other Investments not to exceed in the aggregate at any time outstanding 10% of Consolidated Tangible Net Worth.

7.3 Contingent Obligations. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or become or be liable with respect to any Contingent Obligation, including, without limitation Contingent Obligations of the Borrower or any Subsidiary of the Borrower with respect to any other Subsidiary of the Borrower, except:

(a) The Borrower may remain liable with respect to Contingent Obligations arising under trade letters

of credit or Contingent Obligations reflected as a liability on the Borrower's consolidated balance sheet (other than Indebtedness of the Borrower's Subsidiaries);

(b) The Borrower may become or remain liable with respect to guaranties of the obligations of Subsidiaries with respect to Operating Leases, employment agreements and indebtedness for borrowed money;

(c) The Borrower may become and remain liable with respect to guaranties of its Subsidiaries' trade payables and accrued liabilities incurred in the ordinary course of business;

(d) The Borrower may become and remain liable with respect to stock purchase notes owing to the trustee of various employee incentive and stock purchase plans of the Borrower by participants in such plans; provided, that any payments by the Borrower with respect to such notes are repaid to the Borrower by such trustee in reduction of loans or advances owing by him to the Borrower;

(e) The Borrower and Subsidiaries may become and remain liable with respect to Contingent Obligations arising out of assignments by the Borrower and Subsidiaries of Capital Leases and Operating Leases;

(f) The Borrower and any Subsidiary may become and remain liable with respect to Contingent Obligations arising out of (i) the indemnification of directors, officers, employees and agents to the extent permissible under the Tennessee Business Corporation Act or the corporation law of the jurisdiction in which such Subsidiary is incorporated or organized, (ii) the indemnification of investment bankers, commercial banks and other independent consultants or professional advisors pursuant to agreements relating to the underwriting of the Borrower's or such Subsidiary's securities or the rendering of banking or professional services for the Borrower or such Subsidiary, and (iii) the indemnification of landlords, lessors, licensors, licensees and other parties pursuant to agreements

entered into in the ordinary course of business by the Borrower or such Subsidiary;

(g) The Borrower may become and remain liable with respect to guaranties of or letters of credit supporting Indebtedness of Subsidiaries (including, without limitation, Capital Leases) and other Contingent Obligations not to exceed in aggregate amount at any time outstanding 10% of Consolidated Tangible Net Worth (exclusive of any foreign currency fluctuations); and

(h) The Borrower may incur customary and reasonable indemnity obligations in connection with the sale of assets permitted by Section 7.6 hereof.

7.4 Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Payment; provided, that, so long as no Event of Default or Potential Default has occurred and is continuing or would occur as a result of such action:

(a) The Borrower may make Restricted Payments if the cumulative amount of all such Restricted Payments (including any Restricted Payment proposed to be made) after the Closing Date would not exceed the sum of (i) \$5,000,000.00; plus (ii) 50%, if positive, or minus 100%, if negative, of cumulative Consolidated Net Income after January 31, 1995 to the end of the accounting month immediately preceding the date of the action by the board of directors of the Borrower declaring or authorizing the Restricted Payment, taken as a single period; plus (iii) 35% of the cumulative net cash proceeds of the issuance of new equity Securities by the Borrower, other than proceeds applied for the purposes described in clauses (i)(C) and (ii)(B) of the definition of Restricted Payment;

(b) The Borrower may make Restricted Payments with respect to the Borrower's Convertible Preferred Stock; and

(c) The Borrower may make Restricted Payments described in clause (ii)(D) of the definition of

Restricted Payments at a price not to exceed \$.05 per Shareholder Right or \$2,000,000 in the aggregate for all such Shareholder Rights.

7.5 Financial Covenants.

7.5.1 Consolidated Tangible Net Worth. The Borrower will maintain Consolidated Tangible Net Worth of at least \$35,000,000 as of the end of any quarterly or annual accounting period; provided, however, such required amount shall be increased on the first day of Fiscal Year 1998 and on the first day of each Fiscal Year thereafter by an amount equal to 50% of positive Consolidated Net Income for the Fiscal Year then ending, such increases to be cumulative.

7.5.2 Consolidated Fixed Charge Coverage Ratio. The Borrower will maintain as of the last day of each of the following quarterly accounting periods, a Consolidated Fixed Charge Coverage Ratio of not less than:

Quarter Ending -----	Ratio -----
January 31, 1996 and each quarter ending thereafter through October 31, 1997	1.0 to 1.0
January 31, 1998 and each quarter ending thereafter	1.1 to 1.0

7.5.2 Consolidated Indebtedness/Total Capital. The Borrower will maintain a ratio of Consolidated Indebtedness to Total Capital of less than (a) .75 to 1.0 on the last day of the fiscal quarters ending January 31, 1996, April 30, 1996, July 31, 1996 and October 31, 1996, (b) .71 to 1.0 on the last day of the fiscal quarters ending January 31, 1997, April 30, 1997, July 31, 1997 and October 31, 1997 and (c) .64 to 1.0 on the last day of each fiscal quarter ending thereafter.

7.5.4 Capital Expenditures. The Borrower will not, and will not permit any of its Subsidiaries to, purchase or otherwise acquire, or commit to purchase or otherwise

acquire, any fixed or capital asset or otherwise make or incur obligations for Capital Expenditures by the expenditure of cash or the incurrence of Indebtedness, the cost of which (or, in the case of any acquisition not in the nature of an ordinary purchase, the book value of the consideration given for which), when aggregated with the costs of all other such assets purchased or otherwise acquired by the Borrower and its Subsidiaries taken as a whole during such Fiscal Year, would exceed \$10,000,000 during the Fiscal Year ending January 31, 1996, \$12,000,000 during the Fiscal Year ending January 31, 1997 or \$14,000,000 during any Fiscal Year ending thereafter; provided, that, if during any Fiscal Year Capital Expenditures are less than any of the applicable amounts set forth above, the lesser of (i) the difference between the applicable amount and the actual Capital Expenditures for such Fiscal Year, or (ii) \$2,000,000 (such lesser amount being referred to as the "Excess Capital Expenditures Allowance") shall be carried forward so as to increase the maximum Capital Expenditures which may be made in accordance with this Subsection 7.5.4 for the immediately succeeding Fiscal Year, but not for any other subsequent Fiscal Year, except to the extent permitted by the next succeeding sentence. Capital Expenditures made in any such succeeding Fiscal Year shall be applied first to the Excess Capital Expenditures Allowance carried forward until such Allowance is exhausted and shall then be applied to the maximum Capital Expenditures specified above for such Fiscal Year in determining whether an Excess Capital Expenditure Allowance is available to be carried forward to the next succeeding Fiscal Year in the manner described in this Subsection 7.5.4.

7.5.5 [intentionally left blank]

7.5.6 Consolidated Interest Coverage Ratio. The Borrower will maintain as of the last day of each of the following quarterly accounting periods, a Consolidated Interest Coverage Ratio of not less than:

Quarter Ending -----	Ratio -----
January 31, 1996	1.60 to 1.0
April 30, 1996	1.50 to 1.0
July 31, 1996	1.45 to 1.0

October 31, 1996	1.45 to 1.0
January 31, 1997	1.60 to 1.0
April 30, 1997	1.60 to 1.0
July 31, 1997	1.60 to 1.0
October 31, 1997	1.60 to 1.0
January 31, 1998 and thereafter	1.85 to 1.0

7.6 Restrictions on Fundamental Changes. The Borrower will not, and will not permit any of its Subsidiaries to (i) enter into any transaction of merger or consolidation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or (ii) convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any portion of its business, properties or assets (real and personal, tangible and intangible) or any stock or other Securities of any of its Subsidiaries, whether now owned or hereafter acquired, constituting a substantial portion of the consolidated total assets of the Borrower and its Subsidiaries; provided, that, so long as no Event of Default or Potential Default has occurred and is continuing or would occur as a result thereof, (x) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower or any direct wholly-owned Subsidiary of the Borrower, or be liquidated, wound up or dissolved, or all or substantially all of its business, properties or assets (real and personal, tangible and intangible) may be conveyed, sold, leased, transferred or otherwise disposed of, in one transaction or a series of transactions, to the Borrower or any direct wholly-owned Subsidiary of the Borrower; and (y) the Borrower or any of its Subsidiaries may acquire any Person by merger or consolidation, provided that the Borrower or such Subsidiary is the corporation surviving such merger or consolidation, in any transaction that would not cause an Event of Default or Potential Default under this Loan Agreement.

7.7 ERISA. The Borrower will not, and will not permit any of its ERISA Affiliates to:

(a) engage in any transaction in connection with which the Borrower or any of its ERISA Affiliates could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code in either case in an amount in any Fiscal Year greater than \$1,000,000;

(b) fail to make full payment when due of all amounts which, under the provisions of any Pension Plan or applicable law, the Borrower or any of its ERISA Affiliates is required to pay as contributions thereto, or permit to exist any accumulated funding deficiency with respect to any Pension Plan with respect to any plan year; or

(c) fail to make any payment to any Multiemployer Plan that the Borrower or any of its ERISA Affiliates may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto.

As used in this Section 7.7, the term "accumulated funding deficiency" has the meaning specified in Section 302 of ERISA and Section 412 of the Code.

7.8 Transactions with Shareholders and Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any holder of 5% or more of the voting power of the Borrower's capital stock, or with any Affiliate of the Borrower or of any such holder, on terms that are materially less favorable to the Borrower or that Subsidiary, as the case may be, than those which would be obtained at the time from Persons who are not such a holder or an Affiliate; provided, that the foregoing restriction shall not apply to any transaction between the Borrower and any of its wholly-owned Subsidiaries or between any of its wholly-owned Subsidiaries.

7.9 Subsidiary Securities. The Borrower will not, directly or indirectly, sell, assign, pledge or otherwise encumber or dispose of any shares or other Securities of any of its Subsidiaries, or permit any of its Subsidiaries, directly or indirectly, to sell, assign, pledge or otherwise encumber or dispose of any shares or other Securities of such Subsidiary or of any other such Subsidiary, except (i) to the Borrower and any of its wholly-owned Subsidiaries, (ii) to qualify directors if required by applicable law, (iii) the issuance of promissory notes, drafts or other instruments or Securities by a

Subsidiary to evidence indebtedness otherwise permitted by Section 7.10 and (iv) to the extent otherwise permitted by Section 7.6(ii).

7.10 Subsidiary Indebtedness. The Borrower will neither cause nor permit (i) any Subsidiary acquired by the Borrower after the Closing Date to incur any Indebtedness in connection with the acquisition of such Subsidiary by the Borrower (but any such Subsidiary may continue to have outstanding after the consummation of such acquisition any Indebtedness previously incurred by such Subsidiary); or (ii) any of its Subsidiaries, whether now owned or hereafter created or acquired, to incur any Indebtedness if the aggregate Indebtedness of all of the Borrower's Subsidiaries (excluding Indebtedness permitted under clause (i)) would, giving effect to the Indebtedness proposed to be incurred, exceed 7-1/2% of Consolidated Tangible Assets.

7.11 Restrictions on Subsidiary Dividends. The Borrower will not permit any of its Subsidiaries to enter into any agreement prohibiting or restricting the declaration or payment of cash dividends or other payments by such Subsidiary in respect of Securities of such Subsidiaries to, or the making of loans, advances to, or other Investments by such Subsidiary in, the Borrower.

7.12 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Potential Default if such action is taken or condition exists.

ARTICLE VIII

EVENTS OF DEFAULT

8.1 Events of Default. If any of the following conditions or events ("Events of Default") shall occur:

8.1.1 Failure to Make Payments When Due. Failure of the Borrower to make any payment or prepayment of principal when due hereunder, whether at stated maturity, by acceleration or otherwise; or failure of the Borrower to pay any interest, fees or other amounts due under this Loan Agreement within five (5) days after the date when due hereunder; or

8.1.2 Default in Other Agreements. Failure of the Borrower or any of its Subsidiaries to pay, or any default in the payment of, any principal or interest on any Indebtedness (other than Indebtedness evidenced by the Notes) or in the payment of any Contingent Obligation, in either case where the aggregate Indebtedness or Contingent Obligation exceeds \$1,000,000, beyond any period of grace provided; or any breach or default with respect to any evidence of any Indebtedness or Contingent Obligation (other than the Indebtedness evidenced by the Notes) or of any loan agreement, mortgage, indenture or other agreement relating thereto where the aggregate principal amount of such Indebtedness or Contingent Obligation then outstanding exceeds \$1,000,000, beyond any period of grace provided, if the effect of such failure, default or breach is to cause, or to permit the holder or holders of that Indebtedness or Contingent Obligation (or a trustee on behalf of such holder or holders) to cause, that Indebtedness or Contingent Obligation to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both, or otherwise); or

8.1.3 Breach of Certain Covenants. Failure of the Borrower to perform or comply with any term or condition contained in Sections 6.2, 6.6, 7.4, 7.5 or 7.6 of this Loan Agreement; or

8.1.4 Warranty. Any of the Borrower's representations or warranties made herein or in any statement or certificate at any time given by or on behalf of the Borrower in writing pursuant hereto or in connection herewith shall be false in any material respect on the date as of which made; or

8.1.5 Other Defaults under this Loan Agreement. The Borrower shall default in the performance of or compliance with any provision contained in this Loan

Agreement other than those referred to above in Sections 8.1, 8.1.3 or 8.1.4 and such default shall not have been remedied or waived within fifteen (15) days after receipt of notice from the Agent or any Bank of such default, in the case of Sections 7.1-7.3 or 7.7-7.11, or within thirty (30) days after receipt of notice from the Agent or any Bank of such default, in the case of any other provision contained in this Loan Agreement; or

8.1.6 Involuntary Bankruptcy; Appointment of Receiver, etc. (i) A decree or order for relief in respect of the Borrower or any of its Subsidiaries shall have been entered in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed; or (ii) an involuntary case is commenced against the Borrower or any of its Subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Borrower or any of its Subsidiaries, or over all or a substantial part of its property, shall have been entered; or the involuntary appointment of an interim receiver, trustee or other custodian of the Borrower or any of its Subsidiaries for all or a substantial part of its property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of the Borrower or any of its Subsidiaries, and the continuance of any such events described in this clause (ii) for 60 consecutive days unless dismissed, bonded or discharged; or

8.1.7 Voluntary Bankruptcy: Appointment of Receiver, etc. The Borrower or any of its Subsidiaries shall have an order for relief entered with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion to an involuntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; the making by the Borrower or any of its Subsidiaries of any assignment for the benefit of creditors;

or the inability or failure of the Borrower or any of its Subsidiaries, or the admission by the Borrower or any of its Subsidiaries in writing of its inability to pay its debts as such debts become due; or the Board of Directors of the Borrower or any of its Subsidiaries (or any committee thereof) adopts any resolution or otherwise authorizes action to approve any of the foregoing; or

8.1.8 Judgments and Attachments. Any money judgment, writ or warrant of attachment or similar process involving in any case an amount in excess of \$2,000,000 or any series of money judgments, writs or warrants of attachment or similar processes involving in the aggregate an amount in excess of \$2,000,000 shall be entered or filed against the Borrower or its Subsidiaries or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of forty-five (45) days or in any event later than five (5) days prior to the date of any proposed sale under any such judgment, writ or warrant of attachment or similar process; or

8.1.9 Condemnations and Seizures. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of all or any portion of the property of the Borrower or any Subsidiary constituting a substantial portion of the consolidated total assets of the Borrower and its Subsidiaries; or

8.1.10 Dissolution. Any order, judgment or decree shall be entered against the Borrower decreeing the dissolution or split up of the Borrower and such order shall remain undischarged or unstayed for a period in excess of thirty (30) days; or

8.1.11 Unfunded ERISA Liabilities. (i) Any Pension Plan maintained by the Borrower or any of its ERISA Affiliates shall be terminated within the meaning of Title IV of ERISA, (ii) a trustee shall be appointed by an appropriate United States district court to administer any Pension Plan, (iii) the Pension Benefit Guaranty Corporation (or any successor thereto) shall institute proceedings to terminate any Pension Plan, or (iv) the Borrower or any of its ERISA Affiliates shall withdraw (under Section 4063 of ERISA) from a Pension Plan, if, as of the date thereof or

any subsequent date, the sum of each of the Borrower's and its ERISA Affiliates' various liabilities (such liabilities to include, without limitation, any liability to the Pension Benefit Guaranty Corporation (or any successor thereto) or to any other party under Sections 4062, 4063 or 4064 of ERISA or any other provision of law) resulting from or otherwise associated with such events listed in clauses (i) through (iv) above exceeds \$1,000,000, exclusive of any withdrawal liability incurred by the Grief Companies division of the Borrower to the Amalgamated Pension Fund, a Multiemployer Plan;

then, in any such event, and at any time thereafter, the Agent, upon the written direction of the Majority Banks, shall, by written notice to the Borrower take any of the following actions:

(i) Termination of Commitments. Declare the Banks' obligations to make Loans and the Letter of Credit Bank's obligation to issue Letters of Credit to be terminated whereupon the Banks' Commitments shall be immediately terminated and any commissions or fees relating to the Commitments shall thereupon become immediately due and payable without further notice of any kind;

(ii) Acceleration of Loans. Declare the unpaid principal of and any accrued interest in respect of all the Notes to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower;

(iii) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Loan Documents and all rights of set-off;

(iv) Cash Collateral. Direct the Borrower to pay (and the Borrower agrees that upon receipt of such notice, or upon the occurrence of an Event of Default under Section 8.1.6 or 8.1.7), it will immediately without notice pay to the Agent an amount equal to the then outstanding Letter of Credit Obligations which at the option of the Borrower will either be used to prepay such outstanding Letter of Credit Obligations or paid to the Agent to be held in a cash collateral

account in the name of the Agent and under the dominion and control of the Agent as additional security for the reimbursement obligations which may thereafter arise on account of subsequent drawings or payments under Letters of Credit still outstanding;

provided, however, that, notwithstanding the foregoing, if an Event of Default specified in Section 8.1.6 or 8.1.7 shall occur, then the Banks' Commitments shall automatically terminate and the Notes and the Loans shall immediately become due and payable without the giving of any notice or other action by the Agent or the Banks.

ARTICLE IX

AGENCY PROVISIONS

9.1 Appointment. Each Bank hereby irrevocably designates and appoints the Agent to act as its agent specified herein and the other Loan Documents, and each such Bank hereby irrevocably authorizes the Agent, as the agent for such Bank, to take such action on its behalf under the provisions of this Loan Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms hereof and of the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, the Agent shall not have any duties or responsibilities except those expressly set forth herein and therein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Loan Agreement or any of the other Loan Documents, or shall otherwise exist against the Agent. The provisions of this Article are solely for the benefit of the Agent and the Banks and the Borrower shall not have any rights as a third party beneficiary of the provisions hereof. In performing its functions and duties under this Loan Agreement and the other Loan Documents, the Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower.

9.2 Delegation of Duties. The Agent may execute any of its respective duties hereunder or under the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all legal matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by Section 9.3.

9.3 Exculpatory Provisions. Neither the Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by them or such Person under or in connection herewith or in connection with any of the other Loan Documents (except for their or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Banks for any recitals, statements, representations or warranties made by the Borrower contained herein or in any of the other Loan Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection herewith or in connection with the other Loan Documents, or enforceability or sufficiency herefor of any of the other Loan Documents, or for any failure of either of the Borrower to perform its obligations hereunder or thereunder. The Agent shall not be responsible to any Bank for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Loan Agreement or any of the other Loan Documents or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by or on behalf of the Borrower to the Agent or any Bank or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Potential Default or Event of Default or to inspect the properties, books or records of the Borrower.

9.4 Reliance on Communications. The Agent shall be entitled to rely, and shall be fully protected in relying,

upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent may deem and treat the Banks as the owner of their respective interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent in accordance with this Loan Agreement. The Agent shall be fully justified in failing or refusing to take any action under this Loan Agreement or under any of the other Loan Documents unless it shall first receive such advice or concurrence of the Majority Banks as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by them by reason of taking or continuing to take any such action. Except as expressly provided to the contrary herein, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Loan Documents in accordance with a request of the Majority Banks (or to the extent specifically provided in Section 10.6, with a request of all the Banks) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks (including their successors and assigns).

9.5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default hereunder unless the Agent has received notice from a Bank or the Borrower referring to the Loan Document, describing such Potential Default or Event of Default and stating that such notice is a "notice of default." In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Banks. The Agent shall take such action with respect to such Potential Default or Event of Default as shall be directed by the Majority Banks; provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such

Potential Default or Event of Default as it shall deem advisable in the best interests of the Banks.

9.6 Non-Reliance on Agent and Other Banks. Each Bank expressly acknowledges that neither the Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to them and that no act by the Agent or any respective affiliate thereof hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Loan Agreement. Each Bank also represents that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Loan Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of the Borrower which may come into the possession of the Agent or any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7 Indemnification. The Banks agree to indemnify the Agent in its capacity as such on a pro rata basis based upon the Commitment Percentages of the Banks from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses or disbursements of any kind whatsoever which may

at any time (including without limitation at any time following the payment of the Obligations) be imposed on, incurred by or asserted against the Agent in its capacity as such in any way relating to or arising out of this Loan Agreement or the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent paid by the Borrower or to the extent resulting from the Agent's gross negligence or willful misconduct. If any indemnity furnished to the Agent for any purpose shall, in the opinion of the Agent be insufficient or become impaired, the Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreements in this Section shall survive the payment of the Obligations and all other amounts payable hereunder and under the other Loan Documents.

9.8 Agent in its Individual Capacity. The Agent and its respective affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Agent were not the Agent hereunder. With respect to the Loans made hereunder, the Agent shall have the same rights and powers under this Loan Agreement as any Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall include the Agent in its individual capacity.

9.9 Successor Agents. The Agent may, at any time, resign as Agent hereunder upon 30 days written notice to the Banks, and be removed as Agent hereunder with or without cause by the Majority Banks upon 30 days written notice to the Agent. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent with the consent of the Borrower, such consent not to be unreasonably withheld. If no successor Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the notice of resigning Agent's resignation or the Majority Banks' notice of removal, then the retiring Agent shall select a

successor Agent provided such successor Agent is a commercial bank organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$400,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations as Agent under this Loan Agreement and the other Loan Documents and the provisions of this Section shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Loan Agreement.

9.10 Co-Agent. The Co-Agent shall have no duties or responsibilities hereunder or under any of the other Loan Documents.

ARTICLE X

MISCELLANEOUS

10.1 Notices. Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (a) when delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below, (c) the day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address set forth opposite such party's name on the signature pages hereto, or at such other address as such party may specify by written notice to the other parties hereto.

10.2 Right of Set-Off. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, each Bank is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of which rights being hereby expressly waived), to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by such Bank (including, without limitation, branches, agencies or Affiliates of such Bank wherever located) to or for the credit or the account of the Borrower against obligations and liabilities of the Borrower to such Bank hereunder, under the Notes, the other Loan Documents or otherwise, irrespective of whether such Bank shall have made any demand hereunder and although such obligations, liabilities or claims, or any of them, may be contingent or unmatured, and any such set-off shall be deemed to have been made immediately upon the occurrence of an Event of Default even though such charge is made or entered on the books of such Bank subsequent thereto. The Borrower hereby agrees that any Person purchasing a participation in the Loans and Commitments hereunder pursuant to Section 10.3(c) may exercise all rights of set-off with respect to its participation interest as fully as if such Person were a Bank hereunder.

10.3 Benefit of Agreement.

(a) Generally. This Loan Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that the Borrower may not assign and transfer any of its interests without prior written consent of the Banks; provided further that the rights of each Bank to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 10.3.

(b) Assignments. Each Bank may assign all or a portion of its rights and obligations hereunder pursuant to an assignment agreement substantially in the form of Exhibit 10.3 to one or more commercial

banks, financial institutions or "accredited investors" (as defined in SEC Regulation D), provided that (i) any such assignment shall be in a minimum aggregate amount of \$5,000,000 of the Commitment above such amount and (ii) the Borrower and the Agent shall consent to such assignment (which consent shall not be unreasonably withheld). Any assignment hereunder shall be effective upon delivery to the Agent of written notice of the assignment and the satisfaction of the terms and conditions relating thereto contained herein. The assigning Bank will give prompt notice to the Agent and the Borrower of any such assignment. Upon the effectiveness of any such assignment (and after notice to the Borrower as provided herein), the assignee shall become a "Bank" for all purposes of this Loan Agreement and the other Loan Documents and, to the extent of such assignment, the assigning Bank shall be relieved of its obligations hereunder to the extent of the Loans, Commitment components and other Obligations being assigned. Along such lines the Borrower agrees that upon notice of any such assignment and surrender of its Note, it will promptly provide to the assigning Bank and to the assignee separate promissory notes in the amount of their respective interests substantially in the form of the original Note (but with notation thereon that it is given in substitution for and replacement of the original Note or any replacement notes thereof).

(c) Participations. Each Bank may sell, transfer grant or assign, participations in all or any part of such Bank's interests and obligations hereunder to any bank or other institution, provided that (i) such selling Bank shall remain a "Bank" for all purposes under this Loan Agreement (such selling Bank's obligations under the Loan Documents remaining unchanged) and the participant shall not constitute a Bank hereunder, (ii) no such participant shall have, or be granted, rights to approve any amendment or waiver relating to this Loan Agreement or the other Loan Documents except to the extent any such amendment or waiver would (y) reduce the principal of or rate of interest on or fees in respect of any Loans or Letters of Credit in which the participant is participating, (z) postpone the date fixed for any payment of

principal (including the Termination Date of the Revolving Loans), interest, fees or other Obligations in which the participant is participating or and (iii) sub-participations by the participant (except to an affiliate, parent company or affiliate of a parent company of the participant) shall be prohibited. In the case of any such participation, the participant shall not have any rights under this Loan Agreement or the other Loan Documents (the participant's rights against the selling Bank in respect of such participation to be those set forth in the participation agreement with such Bank creating such participation) and all amounts payable by the Borrower hereunder shall be determined as if such Bank had not sold such participation.

10.4 No Waiver; Remedies Cumulative. No failure or delay on the part of the Agent or any Bank in exercising any right, power or privilege hereunder or under any other Loan Document and no course of dealing between the Borrower and the Agent or any Bank shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Agent or any Bank would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent or the Banks to any other or further action in any circumstances without notice or demand.

10.5 Payment of Expenses, etc. The Borrower agrees to: (a) pay all reasonable out-of-pocket costs and expenses of the Agent in connection with the syndication of this Loan Agreement, the due diligence associated with this transaction and the negotiation, preparation, execution and delivery and administration of this Loan Agreement and the other Loan Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees and expenses of special counsel to the Agent) and any amendment, waiver or consent relating hereto and thereto, including, but not limited to, any such

amendments, waivers or consents resulting from or related to any work-out, renegotiation or restructure relating to the performance by the Borrower under this Loan Agreement and of the Banks in connection with enforcement of the Loan Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees and disbursements of counsel for the Agent and each of the Banks); (b) pay and hold each of the Banks harmless from and against any and all present and future stamp, recording and other similar taxes with respect to the foregoing matters and save each of the Banks harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Bank) to pay such taxes; and (c) indemnify each Bank, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not any Bank is a party thereto) related to the entering into and/or performance of any Loan Document or the use of proceeds of any Loans hereunder or the consummation of any other transactions contemplated in any Loan Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of gross negligence or willful misconduct on the part of the Person to be indemnified).

10.6 Amendments, Waivers and Consents. Neither this Loan Agreement nor any other Loan Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing signed by the Majority Banks and the Borrower, provided that no such amendment, change, waiver, discharge or termination shall, without the consent of each Bank, (a) extend the scheduled maturities (including the final maturity and any mandatory prepayments) of any Loan or any portion thereof, or reduce the rate or extend the time of payment of interest thereon or fees hereunder or reduce the principal amount thereof, or increase the Commitment of any Bank over the amount thereof then in effect, (b) amend, modify or waive any provision of

this Section, (c) reduce any percentage specified in, or otherwise modify, the definition of Majority Banks, (d) consent to the assignment or transfer by the Borrower of any of its rights and obligations under (or in respect of) this Loan Agreement or (e) modify the definition of "Termination Date". No provision of Article IX may be amended without the consent of the Agent.

10.7 Counterparts. This Loan Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Loan Agreement to produce or account for more than one such counterpart.

10.8 Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Loan Agreement.

10.9 Survival. All indemnities set forth herein, including, without limitation, in Section 3.4 or 10.5, shall survive the execution and delivery of this Loan Agreement, the making of the Loans, the repayment of the Loans and other obligations of the Borrower hereunder and the termination of the Commitment hereunder.

10.10 Calculations; Computations.

(a) The financial statements furnished to the Banks pursuant hereto shall be made and prepared in accordance with generally accepted accounting principles applied on a consistent basis for the periods involved.

(b) All computations of interest and fees hereunder shall be made on the basis of actual number of days elapsed over a year of 360 days.

(c) In the event any payment of principal, interest, fees or other amount is due on a day which is not a Business Day, the payment shall be extended to the next succeeding Business Day together with, in the case of a payment of principal, interest thereon to the

date of payment (except in the case of Eurodollar Loans, if the next succeeding Business Day is in a different calendar month, then on the next preceding Business Day).

10.11 Governing Law; Submission to Jurisdiction; Venue.

(a) THIS LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TENNESSEE. Any legal action or proceeding with respect to this Loan Agreement or any other Loan Document may be brought in the courts of the State of Tennessee in Davidson County, or of the United States for the Middle District of Tennessee, and, by execution and delivery of this Loan Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of such courts. The Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower at its address for notices set forth beneath its signature, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the Banks to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against the Borrower in any other jurisdiction.

(b) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Loan Agreement or any other Loan Document brought in the courts referred to in subsection (a) hereof and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) THE BORROWER AND EACH BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS LOAN AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

10.12 Severability. If any provision of any of the Loan Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

10.13 Entirety. This Loan Agreement together with the other Loan Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Loan Documents or the transactions contemplated herein and therein.

10.14 Survival. All representations and warranties made by the Borrower herein shall survive delivery of the Notes and the making of the Loans and the issuance of the Letters of Credit hereunder.

10.15 Pro Rata, Sharing. Each Bank agrees that, if it should receive any amount hereunder (whether voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Loan Documents or otherwise) which is applicable to the payment of the principal of, or interest or fees on, the Loans or the reimbursement obligations of the Borrower in connection with Letters of Credit, of a sum which with respect to the related sum or sums received by the other Banks is in a greater proportion than the total of such obligation than owned and due to such Bank bears to the total of such obligation prior to such receipt, then such Bank receiving such excess payment shall purchase for cash without recourse or warranty from the other Banks an interest in the obligations of the Borrower to such Banks in such amount as will result in a proportional participation by all of the Banks in such amount, provided that if all or any portion of such excess amount is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

10.16. Indemnity.

(a) In addition to the payment of expenses pursuant to Section 10.5, whether or not the transactions contemplated hereby shall be consummated, the Borrower agrees to indemnify, pay and hold the Banks and any permitted holder of the Notes, and the officers, directors, employees and agents of each of the foregoing (collectively called the "Indemnitees") harmless from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitee shall be designated a party thereto), which may be imposed on, incurred by, or asserted against such Indemnitee by any Person, in any manner relating to or arising out of or pursuant to this Loan Agreement or by reason of any action taken by any of them in good faith in furtherance of the provisions of this Loan Agreement (the "Indemnified Liabilities"); provided, that the Borrower shall have no obligation hereunder with respect to Indemnified Liabilities arising from (i) the gross negligence or willful misconduct of any such Indemnitee; (ii) any action between the Borrower and one or more Indemnitees in which the Borrower is the prevailing party; or (iii) any action between any Bank and assignee or participant of that Bank with respect to the matters contemplated by Section 10.3 hereof.

(b) As soon as is practicable after receipt by an Indemnitee of notice of the making of any claim, the service of any complaint or the commencement of any action or proceeding (collectively, a "Claim") by any Person other than the Borrower with respect to which indemnification is sought hereunder, the Indemnitees will notify the Borrower in writing of such Claim, naming the counsel such Indemnitee proposes to use to defend against such Claim (but failure to so notify the Borrower will not relieve the Borrower from any liability which it may have hereunder or otherwise,

except to the extent that such failure materially prejudices the Borrower's rights). The Borrower shall have the right to approve the counsel proposed to be used by such Indemnitee in the defense of such Claim, but such approval shall not be unreasonably withheld or delayed. Such counsel shall consist of a single firm for all Indemnitees unless counsel to any Indemnitee shall advise it in writing that a conflict of interest exists between it and one or more other Indemnitees in conducting the defense of such Claim that would make advisable or prudent the retaining of separate counsel for the defense of such Claim, in which case an additional firm may be retained on behalf of each such Indemnitee so advised. The Borrower shall also have the right to approve any proposed settlement of any such Claim, but such approval shall not be unreasonably withheld or delayed.

10.17 Change in Accounting Principles. If any change in accounting principles from those used in the preparation of the financial statements referred to in Subsection 5.3.1 is hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants or the Securities and Exchange Commission (or successors thereto or agencies with similar functions) and results in a change in the method of calculation of financial covenants, standards or terms found in Articles 1, 6 and 7 hereof, the parties hereto agree to enter into negotiations in order to amend such provisions so as equitably to reflect such changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such changes in accounting principles as if such changes in accounting principles had not been made. Until such negotiations are completed to the satisfaction of the Banks and the Borrower and this Agreement amended to reflect the results of such negotiations, such changes in accounting principles shall not become effective for purposes of determining compliance with this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Loan Agreement to be duly executed and delivered as of the date first above written.

ATTEST:

By _____
Secretary

(Corporate Seal)

GENESCO INC.

By _____
Title _____

Address:

Genesco Park
1415 Murfreesboro Road
Nashville, Tennessee 37202
Attn: Matthew N. Johnson
Telephone: (615) 367-8505
Facsimile: (615) 367-8179

NATIONS BANK, N.A.
Individually and as Agent

Committed Amount:

\$20,000,000.00

By _____
Title _____

Committed Percentage:

57.142857143%

Address:

NationsBank, N.A.
NationsBank Plaza, NC1002-06-19
Charlotte, North Carolina 28255
Attn: Kevin Stephens
Telephone: (704) 386-2006
Facsimile: (704) 386-8694

Address as Agent:

NationsBank, N.A.
NationsBank Plaza M-5
Nashville, Tennessee 37239
Attn: Steve L. Dalton
Telephone: (615) 749-4151
Facsimile: (615) 749-4112

THE FIRST NATIONAL BANK OF CHICAGO

Committed Amount:

- - - - -

\$15,000,000.00

Committed Percentage:

- - - - -

42.857142857%

By

Title

Address for Payments and Notices:

The First National Bank of Chicago
One First National Plaza,
Mail Suite 0173
Chicago, Illinois 60670-0086
Attn: John D. Runger
Telephone: (312) 732-7101
Facsimile: (312) 732-1117

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Earnings Per Common and Common
Share Equivalent
Years Ended January 31

Exhibit (11)

IN THOUSANDS	1996		1995		1994	
	EARNINGS	SHARES	EARNINGS	SHARES	EARNINGS	SHARES
PRIMARY EARNINGS (LOSS) PER SHARE						
Loss before discontinued operations, and cumulative effect of change in accounting principle	\$ (4,281)		\$(18,514)		\$(27,888)	
Preferred dividend requirements	\$ 302		\$ 302		\$ 307	
Loss before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle applicable to common stock and average common shares outstanding	\$ (4,583)	24,347	\$(18,816)	24,326	\$(28,195)	24,159
Employees preferred and stock options deemed to be a common stock equivalent		379		-0-		-0-
Totals before discontinued operations, extraordinary loss, and cumulative effect of change in accounting principle	\$ (4,583)	24,726	\$(18,816)	24,326	\$(28,195)	24,159
PER SHARE	\$ (.19)		\$ (.77)		\$ (1.17)	
=====						
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle	\$ 10,071		\$(81,192)		\$(51,779)	
Preferred dividend requirements	\$ 302		\$ 302		\$ 307	
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle applicable to common stock and average common shares outstanding	\$ 9,769	24,347	\$(81,494)	24,326	\$(52,086)	24,159
Employees preferred and stock options deemed to be a common stock equivalent		379		-0-		-0-
Totals before extraordinary loss and cumulative effect of change in accounting principle	\$ 9,769	24,726	\$(81,494)	24,326	\$(52,086)	24,159
PER SHARE	\$.40		\$ (3.35)		\$ (2.16)	
=====						
Earnings (loss) before cumulative effect of change in accounting principle	\$ 10,071		\$(81,192)		\$(52,019)	
Preferred dividend requirements	\$ 302		\$ 302		\$ 307	
Earnings (loss) before cumulative effect of change in accounting principle applicable to common stock and average common shares outstanding	\$ 9,769	24,347	\$(81,494)	24,326	\$(52,326)	24,159
Employees preferred and stock options deemed to be a common stock equivalent		379		-0-		-0-
Totals before cumulative effect of change in accounting principle	\$ 9,769	24,726	\$(81,494)	24,326	\$(52,326)	24,159
PER SHARE	\$.40		\$ (3.35)		\$ (2.17)	
=====						
Net earnings (loss)	\$ 10,071		\$(81,192)		\$(54,292)	
Preferred dividend requirements	\$ 302		\$ 302		\$ 307	
Net earnings (loss) applicable to common stock and average common shares outstanding	\$ 9,769	24,347	\$(81,494)	24,326	\$(54,599)	24,159
Employees preferred and stock options deemed to be a common stock equivalent		379		-0-		-0-
Total net earnings (loss)	\$ 9,769	24,726	\$(81,494)	24,326	\$(54,599)	24,159
PER SHARE	\$.40		\$ (3.35)		\$ (2.26)	
=====						

All figures in thousands except amount per share.

GENESCO INC.
AND CONSOLIDATED SUBSIDIARIES
Earnings Per Common and
Common Share Equivalent
Years Ended January 31

Exhibit(11)
Continued

IN THOUSANDS	1996		1995		1994	
	EARNINGS	SHARES	EARNINGS	SHARES	EARNINGS	SHARES
FULLY DILUTED EARNINGS (LOSS) PER SHARE						
Loss before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle applicable to common stock and average common shares outstanding	\$ (4,583)	24,726	\$ (18,816)	24,326	\$ (28,195)	24,159
Senior securities the conversion of which would dilute earnings per share		117		-0-		-0-
Totals before discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	\$ (4,583)	24,843	\$ (18,816)	24,326	\$ (28,195)	24,159
PER SHARE	\$ (.18)		\$ (.77)		\$ (1.17)	
=====						
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting principle applicable to common stock and average common shares outstanding	\$ 9,769	24,726	\$ (81,494)	24,326	\$ (52,086)	24,159
Senior securities the conversion of which would dilute earnings per share		117		-0-		-0-
Totals before extraordinary loss and cumulative effect of change in accounting principle	\$ 9,769	24,843	\$ (81,494)	24,326	\$ (52,086)	24,159
PER SHARE	\$.39		\$ (3.35)		\$ (2.16)	
=====						
Earnings (loss) before cumulative effect of change in accounting principle applicable to common stock and average common shares outstanding	\$ 9,769	24,726	\$ (81,494)	24,326	\$ (52,326)	24,159
Senior securities the conversion of which would dilute earnings per share		117		-0-		-0-
Totals before cumulative effect of change in accounting principle	\$ 9,769	24,843	\$ (81,494)	24,326	\$ (52,326)	24,159
PER SHARE	\$.39		\$ (3.35)		\$ (2.17)	
=====						
Net earnings (loss) applicable to common stock and average common shares outstanding	\$ 9,769	24,726	\$ (81,494)	24,326	\$ (54,599)	24,159
Senior securities the conversion of which would dilute earnings per share		117		-0-		-0-
TOTAL NET EARNINGS (LOSS)	\$ 9,769	24,843	\$ (81,494)	24,326	\$ (54,599)	24,159
PER SHARE	\$.39		\$ (3.35)		\$ (2.26)	
=====						

All figures in thousands except amount per share.

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARIES OF THE COMPANY:

NAMES OF SUBSIDIARY	PLACE OF INCORPORATION	PERCENT OF VOTING SECURITIES OWNED BY REGISTRANT
Beagen Street Corporation	Delaware	100
Flagg Bros. of Puerto Rico, Inc.	Delaware	100
GCO Properties, Inc.	Tennessee	100
Genesco Global, Inc.	Delaware	100
Genesco Merger Company Inc.	Tennessee	100
Genesco Netherlands BV	Netherlands	100
Genesco World Apparel, Ltd.	Delaware	100

POWER OF ATTORNEY

The undersigned, certain of the officers and directors of Genesco Inc., a Tennessee corporation ("Genesco"), do hereby constitute and appoint Roger G. Sisson and James S. Gulmi, 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 31, 1996, 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 at Nashville, Tennessee, as of this 28th day of February, 1996.

/s/ David M. Chamberlain

David M. Chamberlain, Chairman, President
and Chief Executive Officer and a Director

/s/ James S. Gulmi

James S. Gulmi, Senior Vice President-Finance
(Principal Financial Officer)

/s/ Roger G. Sisson

Roger G. Sisson, Secretary and General Counsel

/s/ Joel C. Gordon

Joel C. Gordon, Director

/s/ W. Lipscomb Davis, Jr.

W. Lipscomb Davis, Jr., Director

/s/ William A. Williamson, Jr.

William A. Williamson, Jr., Director

/s/ John Diebold

John Diebold, Director

/s/ William S. Wire II

William S. Wire II, Director

/s/ Harry D. Garber

Harry D. Garber, Director

GENESCO STOCK SAVINGS PLAN

Financial Statements

January 31, 1996 and 1995

April 2, 1996

To the Participants and Administrator
of the Genesco Stock Savings Plan

Report of Independent Accountants

In our opinion, the accompanying statement of financial condition and the related statement of income and changes in plan equity present fairly, in all material respects, the financial condition of the Genesco Stock Savings Plan at January 31, 1996 and 1995, and the income and changes in plan equity for each of the three years in the period ended January 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

GENESCO STOCK SAVINGS PLAN
Statement of Financial Condition
January 31

ASSETS	1996	1995
Due from Genesco Inc.	\$ 61,612	\$ 128,526
TOTAL ASSETS	\$ 61,612	\$ 128,526
LIABILITIES AND PLAN EQUITY		
Payable to withdrawn participants	\$ 828	\$ 8,317
Plan equity	60,784	120,209
TOTAL LIABILITIES AND PLAN EQUITY	\$ 61,612	\$ 128,526

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

GENESCO STOCK SAVINGS PLAN
Statement of Income and Changes in Plan Equity
For the Years Ended January 31

	1996	1995	1994
Interest income	\$ 9,311	\$ 15,509	\$ 16,345
Employee contributions	88,938	210,779	302,040
Options exercised	(19,278)	(22,627)	(188,238)
Distributions to withdrawn participants	(138,396)	(349,022)	(84,138)
Net increase (decrease) in plan equity	(59,425)	(145,361)	46,009
Plan equity at beginning of period	120,209	265,570	219,561
PLAN EQUITY AT END OF PERIOD	\$ 60,784	\$ 120,209	\$ 265,570

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

GENESCO STOCK SAVINGS PLAN
Notes to Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The records of the Genesco Stock Savings Plan (the "Plan") are maintained on the accrual basis of accounting.

All expenses incurred in administration of the Plan are paid by Genesco Inc. (the "Company") and are excluded from these financial statements.

NOTE 2
THE PLAN

BACKGROUND AND SUMMARY

The following description of the Plan provides only general information. Participants should refer to the Plan prospectus for a more complete description of the Plan's provisions.

The Plan was created in June 1990 to advance the interests of the Company and its shareholders by enabling the Company to attract and retain qualified employees and by encouraging employees to identify with shareholder interests through the acquisition of shares of the Company's common stock.

During fiscal year 1996, the Company's board of directors voted to adopt a new plan, the Genesco Employee Stock Purchase Plan, as a replacement for the Plan. The board of directors' adoption was approved by the Company's shareholders on June 28, 1995. Consequently, the options granted on October 1, 1994 ("Plan 1994") are the final options to be granted under the Plan.

ELIGIBILITY

All employees become eligible to participate in the Plan after one year of employment with more than 1,000 hours of service and annual compensation of less than \$100,000.

CONTRIBUTIONS

Contributions to the Plan are solely from participating employees of the Company who, through after-tax payroll deductions, may use their contributions, and interest earned thereon, to purchase common stock of the Company at the end of a two-year option period.

An option enables the participant to purchase shares of the Company's common stock at the lower of the fair market value of such shares at the date the option is granted or the date at which it is exercised. The options granted and rights thereto may not be sold, assigned, pledged or otherwise transferred and may be exercised during the lifetime of the participant only by the participant.

GENESCO STOCK SAVINGS PLAN
Notes to Financial Statements

NOTE 2
THE PLAN, CONTINUED

PARTICIPANT ACCOUNTS

A separate account is maintained for participant's contributions and interest income thereon. The Company provides each participant with an annual statement reflecting the value of their account. Participant contributions are held by Genesco Inc., which has an unfunded and unsecured obligation to the Plan.

The Plan requires interest income to be credited to the participants' accounts quarterly based on their average account balance and computed using the index rate of a local bank in effect on the first business day of each quarter.

VESTING

Participants are 100% vested in the value of their account and may withdraw from the Plan at any time with 30 days advance notice.

If a participant is terminated for any reason other than retirement or death, the participant's involvement in the Plan and any unexercised options automatically terminate, and the participant will receive the balance of their account in cash.

TERMINATION OF THE PLAN

The Company reserves the right to terminate the Plan at any time. In the event of plan termination, the balance of each participant's account shall be paid in cash as soon as is reasonably practical.

PLAN ADMINISTRATOR

The Plan is administered by the director of employee benefits of the Company and, as to certain matters, by the compensation committee of the board of directors or the board of directors of the Company.

REGULATORY MATTERS

The Plan is intended to qualify as an Employee Stock Purchase Plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended. Accordingly, no income will result for federal income tax purposes when an option is granted or exercised, however, income may result upon disposition of the stock. Interest accruing on a participant's account is includable in taxable income of the participant upon the earlier of withdrawal from the Plan or exercise of the participant's option.

The Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

GENESCO STOCK SAVINGS PLAN
Notes to Financial Statements

NOTE 3
SUPPLEMENTAL DATA

OPTIONS TO PURCHASE COMPANY STOCK	TOTAL	PLAN 1992	PLAN 1993	PLAN 1994
Outstanding, January 31, 1994	78,675	42,299	36,376	-
Granted	66,158	-	-	66,158
Exercised	(9,527)	(9,527)	-	-
Withdrawn	(54,877)	(32,772)	(19,564)	(2,541)
Outstanding, January 31, 1995	80,429	-0-	16,812	63,617
Exercised	(4,284)	-	(4,284)	-
Withdrawn	(39,975)	-	(12,528)	(27,447)
Outstanding, January 31, 1996	36,170	-	-0-	36,170
Fair market value of stock at date of grant		\$ 7.625	\$ 8.625	\$ 2.50
Date of grant		10/1/92	10/1/93	10/1/94
Fair market value of stock at date of exercise		\$ 2.375	\$ 4.50	N/A
Exercise date		9/30/94	9/30/95	9/30/96

NUMBER OF PARTICIPANTS	TOTAL	PLAN 1992	PLAN 1993	PLAN 1994
As of February 1, 1994	300	161	139	-
Initial enrollment	284	-	-	284
Exercised options	(38)	(38)	-	-
Withdrawn	(210)	(123)	(73)	(14)
As of January 31, 1995	336	-0-	66	270
Exercised options	(19)	-	(19)	-
Withdrawn	(206)	-	(47)	(159)
As of January 31, 1996	111	-	-0-	111

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Financial Statements

January 31, 1996

April 2, 1996

To the Participants and Administrator
of the Genesco Employee Stock Purchase Plan

Report of Independent Accountants

In our opinion, the accompanying statement of financial condition and the related statement of income and changes in plan equity present fairly, in all material respects, the financial condition of the Genesco Employee Stock Purchase Plan at January 31, 1996 and the income and changes in plan equity for the period then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the plan's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

GENESCO EMPLOYEE STOCK PURCHASE PLAN
Statement of Financial Condition
January 31

ASSETS	1996
Due from Genesco Inc.	\$171,137
TOTAL ASSETS	\$171,137
=====	
LIABILITIES AND PLAN EQUITY	
Payable to withdrawn participants	\$ 2,309
Plan equity	168,828
TOTAL LIABILITIES AND PLAN EQUITY	\$171,137
=====	

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

GENESCO EMPLOYEE STOCK PURCHASE PLAN
Statement of Income and Changes in Plan Equity
For the Four Months Ended January 31

	1996
Employee contributions	\$172,095
Options exercised	-
Distributions to withdrawn participants	(3,267)
Net increase in plan equity	168,828
Plan equity at beginning of period	-
PLAN EQUITY AT END OF PERIOD	\$168,828

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

GENESCO EMPLOYEE STOCK PURCHASE PLAN
Notes to Financial Statements

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The records of the Genesco Employee Stock Purchase Plan (the "Plan") are maintained on the accrual basis of accounting.

All expenses incurred in administration of the Plan are paid by Genesco Inc. (the "Company") and are excluded from these financial statements.

NOTE 2
THE PLAN

BACKGROUND AND SUMMARY

The following description of the Plan provides only general information. Participants should refer to the Plan prospectus for a more complete description of the Plan's provisions.

The Plan was created in June 1995 to advance the interests of the Company and its shareholders by attracting and retaining qualified employees and by encouraging them to identify with shareholder interests through the acquisition of shares of the Company's common stock.

ELIGIBILITY

Each employee, excluding statutory insiders, whose total annual base salary is less than \$100,000 and whose customary employment is greater than 20 hours per week and greater than five months per year is eligible to participate in the Plan as long as the employee has been employed by the Company for at least six months prior to the grant date.

CONTRIBUTIONS

Contributions to the Plan are solely from participating employees of the Company who, through after-tax payroll deductions, may use their contributions to purchase common stock of the Company at the end of a one-year option period. The maximum number of shares available to any participant is the lower of 2,000 a year or that number of shares equal to \$10,000 divided by the closing market price of the common stock on the grant date. The maximum contribution is \$10,000 a year or 15% of the participant's base pay. Shares will be purchased September of the year following the October 1 grant date with the initial grant date being October 1, 1995.

An option enables the participant to purchase shares of the Company's common stock at the lower of 85% of the market value on the grant date or 85% of the market value on the exercise date. Options are to be granted each year through August 1, 2005, unless the board of directors, at its discretion, determines in advance that no options are to be granted. The options granted and rights thereto may not be sold, assigned, pledged or otherwise transferred and may be exercised during the lifetime of the participant only by the participant.

GENESCO EMPLOYEE STOCK PURCHASE PLAN
Notes to Financial Statements

NOTE 2
THE PLAN, CONTINUED

PARTICIPANT ACCOUNTS

A separate account is maintained for participant's contributions. The Company provides each participant with an annual statement reflecting the value of their account. Participant contributions are held by Genesco Inc., which has an unfunded and unsecured obligation to the Plan.

VESTING

Participants are 100% vested in the value of their account and may withdraw from the Plan at any time except during the period of September 15 through September 30 which is the time that preparations are made for the issuance of the stock each year.

If a participant is terminated for any reason other than retirement or death, the participant's involvement in the Plan and any unexercised options automatically terminate, and the participant will receive the balance of their account in cash.

TERMINATION OF THE PLAN

The Company reserves the right to terminate the Plan at any time. In the event of plan termination, the balance of each participant's account shall be paid in cash as soon as is reasonably practical.

PLAN ADMINISTRATOR

The Plan is to be administered by the compensation committee of the board of directors or another designee of the board of directors.

REGULATORY MATTERS

The Plan is intended to qualify as an Employee Stock Purchase Plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended. Accordingly, no income will result for federal income tax purposes when an option is granted or exercised, however, income may result upon disposition of the stock.

The Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

GENESCO EMPLOYEE STOCK PURCHASE PLAN
Notes to Financial Statements

NOTE 3
SUPPLEMENTAL DATA

-----	PLAN 1995
OPTIONS TO PURCHASE COMPANY STOCK	

Granted - October 1, 1995	134,752
Exercised	-
Withdrawn	(4,187)

Outstanding, January 31, 1996	130,565
=====	
85% of fair market value of stock at date of grant	\$ 3.72
Date of grant	10/1/95
85% of fair market value of stock at date of exercise	N/A
Exercise date	9/30/96

-----	PLAN 1995
NUMBER OF PARTICIPANTS	

Initial enrollment - October 1, 1995	220
Exercised options	-0-
Withdrawn	(10)

As of January 31, 1996	210
=====	

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JANUARY 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
	JAN-31-1996	
	FEB-01-1995	
	JAN-31-1996	3,550
		32,000
		30,937
		2,065
		84,930
	156,932	85,757
		57,205
		197,806
	48,797	76,485
	0	7,958
		24,844
		1,103
197,806		434,575
	434,575	261,743
		261,743
		0
		3,029
	10,403	(4,256)
		25
	(4,281)	14,352
		0
		0
		10,071
		0.40
		0.39