GENESCO

Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For Quarter Ended November 1, 2008

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

Commission File No. 1-3083

Genesco Inc.

A Tennessee Corporation
I.R.S. No. 62-0211340
Genesco Park
1415 Murfreesboro Road
Nashville, Tennessee 37217-2895
Telephone 615/367-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Common Shares Outstanding November 28, 2008 – 19,245,943

INDEX

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Assets	November 1, 2008	February 2, 2008	November 3, 2007
Current Assets			
Cash and cash equivalents	**$ 16,000**	$ 17,703	$ 17,980
Accounts receivable, net of allowances of $2,888 at November 1, 2008, $1,767 at February 2, 2008 and $2,418 at November 3, 2007	**30,727**	24,275	29,213
Inventories	**379,614**	300,548	395,965
Deferred income taxes	**17,896**	18,702	12,837
Prepaids and other current assets	**24,735**	22,439	39,879
Total current assets	**468,972**	383,667	495,874
Property and equipment:			
Land	**4,863**	4,861	4,861
Buildings and building equipment	**17,801**	17,165	16,509
Computer hardware, software and equipment	**78,497**	76,700	74,668
Furniture and fixtures	**97,917**	93,703	90,314
Construction in progress	**9,114**	9,120	23,511
Improvements to leased property	**276,034**	263,184	250,800
Property and equipment, at cost	**484,226**	464,733	460,663
Accumulated depreciation	**(238,862)**	(217,492)	(210,643)
Property and equipment, net	**245,364**	247,241	250,020
Deferred income taxes	**9,285**	2,641	-0-
Goodwill	**107,632**	107,618	107,618
Trademarks	**51,584**	51,403	51,420
Other intangibles, net of accumulated amortization of $7,991 at November 1, 2008, $7,426 at February 2, 2008 and $7,140 at November 3, 2007	**916**	1,486	1,772
Other noncurrent assets	**8,108**	10,500	10,714
Total Assets	**$ 891,861**	$ 804,556	$ 917,418

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, except share amounts)

Liabilities and Shareholders' Equity	November 1, 2008	February 2, 2008	November 3, 2007
Current Liabilities			
Accounts payable	**$ 153,043**	$ 75,302	$ 138,844
Accrued income taxes	**8,230**	4,725	-0-
Accrued employee compensation	**17,050**	13,715	13,528
Accrued other taxes	**12,627**	10,576	10,486
Other accrued liabilities	**29,388**	35,470	32,681
Provision for discontinued operations	**10,007**	5,786	5,373
Total current liabilities	**230,345**	145,574	200,912
Long-term debt	**135,920**	155,220	215,220
Pension liability	**3,690**	6,572	12,656
Deferred rent and other long-term liabilities	**80,397**	74,067	75,356
Provision for discontinued operations	**5,606**	1,708	1,755
Total liabilities	**455,958**	383,141	505,899
Commitments and contingent liabilities			
Shareholders' Equity			
Non-redeemable preferred stock	**5,209**	5,338	5,361
Common shareholders' equity:			
Common stock, $1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
November 1, 2008 – 19,734,483/19,246,019			
February 2, 2008 – 23,284,741/22,796,277			
November 3, 2007 – 23,284,029/22,795,565	**19,734**	23,285	23,284
Additional paid-in-capital	**37,366**	117,629	115,333
Retained earnings	**408,754**	309,030	305,833
Accumulated other comprehensive loss	**(17,303)**	(16,010)	(20,435)
Treasury shares, at cost	**(17,857)**	(17,857)	(17,857)
Total shareholders' equity	**435,903**	421,415	411,519
Total Liabilities and Shareholders' Equity	**$ 891,861**	$ 804,556	$ 917,418

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Earnings
(In Thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	November 1, 2008	November 3, 2007	**November 1, 2008**	November 3, 2007
Net sales	**$ 389,767**	$ 372,496	**$ 1,099,840**	$ 1,035,124
Cost of sales	**191,853**	184,445	**539,207**	511,610
Selling and administrative expenses	**179,365**	174,194	**532,831**	499,326
Gain from settlement of merger-related litigation	**-0-**	-0-	**(204,075)**	-0-
Restructuring and other, net	**2,284**	56	**7,782**	6,809
Earnings from operations	**16,265**	13,801	**224,095**	17,379
Interest expense, net				
Interest expense	**2,509**	3,544	**7,105**	9,025
Interest income	**(29)**	(40)	**(308)**	(119)
Total interest expense, net	**2,480**	3,504	**6,797**	8,906
Earnings before income taxes from continuing operations	**13,785**	10,297	**217,298**	8,473
Income tax provision	**4,322**	4,687	**82,872**	3,600
Earnings from continuing operations	**9,463**	5,610	**134,426**	4,873
Provision for discontinued operations, net	**(25)**	(10)	**(5,479)**	(1,235)
Net Earnings	**$ 9,438**	$ 5,600	**$ 128,947**	$ 3,638
Basic earnings per common share:				
Continuing operations	**$ .51**	$ .25	**$ 6.92**	$ .21
Discontinued operations	**$ (.01)**	$ .00	**$ (0.28)**	$ (.06)
Net earnings	**$ .50**	$ .25	**$ 6.64**	$ .15
Diluted earnings per common share:				
Continuing operations	**$ .43**	$ .23	**$ 5.64**	$ .20
Discontinued operations	**$ .00**	$ .00	**$ (0.23)**	$ (.05)
Net earnings	**$ .43**	$ .23	**$ 5.41**	$ .15

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

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In Thousands)

	Three Months Ended		Nine Months Ended	
	November 1, 2008	November 3, 2007	**November 1, 2008**	November 3, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	**$ 9,438**	$ 5,600	**$ 128,947**	$ 3,638
Tax benefit of stock options exercised	**(128)**	4	**(157)**	(134)
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:				
Depreciation	**11,698**	11,378	**34,977**	33,179
Receipt of Finish Line stock	**-0-**	-0-	**(29,075)**	-0-
Deferred income taxes	**(6,433)**	(167)	**(5,697)**	3,128
Provision for losses on accounts receivable	**94**	44	**927**	67
Impairment of long-lived assets	**1,890**	107	**5,507**	6,790
Share-based compensation and restricted stock	**2,230**	2,008	**6,450**	6,125
Provision for discontinued operations	**45**	17	**9,010**	2,028
Other	**445**	888	**1,754**	2,438
Effect on cash of changes in working capital and other assets and liabilities:				
Accounts receivable	**(7,806)**	(7,103)	**(7,379)**	(5,217)
Inventories	**(51,628)**	(48,391)	**(79,066)**	(134,928)
Prepaids and other current assets	**(1,228)**	1,882	**(2,296)**	(19,613)
Accounts payable	**12,918**	15,175	**72,514**	79,313
Other accrued liabilities	**(10,250)**	4,817	**(3,297)**	(9,422)
Other assets and liabilities	**3,826**	4,065	**9,165**	1,662
Net cash (used in) provided by operating activities	**(34,889)**	(9,676)	**142,284**	(30,946)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	**(10,772)**	(25,719)	**(40,393)**	(68,846)
Acquisitions, net of cash acquired	**-0-**	-0-	**-0-**	(34)
Proceeds from assets sales	**9**	-0-	**13**	6
Net cash used in investing activities	**(10,763)**	(25,719)	**(40,380)**	(68,874)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of capital leases	**(44)**	(49)	**(132)**	(150)
Tax benefit of stock options exercised	**128**	(4)	**157**	134
Shares repurchased	**-0-**	-0-	**(90,903)**	-0-
Change in overdraft balances	**6,319**	3,942	**5,227**	(5,551)
Borrowings under revolving credit facility	**91,400**	84,000	**184,400**	271,000
Payments on revolving credit facility	**(61,700)**	(57,000)	**(203,700)**	(165,000)
Dividends paid on non-redeemable preferred stock	**(49)**	(49)	**(148)**	(167)
Options exercised	**1,315**	406	**1,492**	795
Net cash provided by (used in) financing activities	**37,369**	31,246	**(103,607)**	101,061
Net (Decrease) Increase in Cash and Cash Equivalents	**(8,283)**	(4,149)	**(1,703)**	1,241
Cash and cash equivalents at beginning of period	**24,283**	22,129	**17,703**	16,739
Cash and cash equivalents at end of period	**$ 16,000**	$ 17,980	**$ 16,000**	$ 17,980
Supplemental Cash Flow Information:				
Net cash paid for:				
Interest	**$ 985**	$ 2,590	**$ 5,388**	7,021
Income taxes	**20,869**	1,317	**75,365**	27,657

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

Table of Contents

Genesco Inc.
and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(In Thousands)

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Comprehensive Income	Total Share-holders' Equity
Balance February 3, 2007	**$6,602**	**$ 23,230**	**$ 107,956**	**$ 306,622**	**$(21,327)**	**$ (17,857)**		**$ 405,226**
Cumulative effect of change in accounting principle (FIN 48)	-0-	-0-	-0-	(4,260)	-0-	-0-	$ -0-	(4,260)
Net earnings	-0-	-0-	-0-	6,885	-0-	-0-	6,885	6,885
Dividends paid on non-redeemable preferred stock	-0-	-0-	-0-	(217)	-0-	-0-	-0-	(217)
Exercise of stock options	-0-	33	551	-0-	-0-	-0-	-0-	584
Issue shares – Employee Stock Purchase Plan	-0-	5	206	-0-	-0-	-0-	-0-	211
Employee and non-employee restricted stock	-0-	-0-	4,621	-0-	-0-	-0-	-0-	4,621
Share-based compensation	-0-	-0-	3,230	-0-	-0-	-0-	-0-	3,230
Restricted shares withheld for taxes	-0-	(19)	(887)	-0-	-0-	-0-	-0-	(906)
Tax benefit of stock options exercised	-0-	-0-	694	-0-	-0-	-0-	-0-	694
Conversion of Series 3 preferred stock	(533)	11	522	-0-	-0-	-0-	-0-	-0-
Conversion of Series 4 preferred stock	(561)	9	552	-0-	-0-	-0-	-0-	-0-
Gain on foreign currency forward contracts (net of tax of $0.0 million)	-0-	-0-	-0-	-0-	37	-0-	37	37
Pension liability adjustment (net of tax of $2.7 million)	-0-	-0-	-0-	-0-	4,131	-0-	4,131	4,131
Postretirement liability adjustment (net of tax of $0.4 million)	-0-	-0-	-0-	-0-	644	-0-	644	644
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	505	-0-	505	505
Other	(170)	16	184	-0-	-0-	-0-	-0-	30
Comprehensive income							$ 12,202	
Balance February 2, 2008	**5,338**	**23,285**	**117,629**	**309,030**	**(16,010)**	**(17,857)**		**421,415**
Net earnings	-0-	-0-	-0-	128,947	-0-	-0-	$ 128,947	128,947
Dividends paid on non-redeemable preferred stock	-0-	-0-	-0-	(148)	-0-	-0-	-0-	(148)
Dividend declared – Finish Line stock	-0-	-0-	-0-	(29,075)	-0-	-0-	-0-	(29,075)
Exercise of stock options	-0-	83	1,355	-0-	-0-	-0-	-0-	1,438
Issue shares – Employee Stock Purchase Plan	-0-	2	53	-0-	-0-	-0-	-0-	55
Employee and non-employee restricted stock	-0-	-0-	4,894	-0-	-0-	-0-	-0-	4,894
Share-based compensation	-0-	-0-	1,555	-0-	-0-	-0-	-0-	1,555
Restricted shares withheld for taxes	-0-	(53)	(1,086)	-0-	-0-	-0-	-0-	(1,139)
Tax benefit of stock options exercised	-0-	-0-	157	-0-	-0-	-0-	-0-	157
Shares repurchased	-0-	(4,000)	(86,903)	-0-	-0-	-0-	-0-	(90,903)
Restricted stock issuance	-0-	416	(416)	-0-	-0-	-0-	-0-	-0-
Loss on foreign currency forward contracts (net of tax of $0.1 million)	-0-	-0-	-0-	-0-	(221)	-0-	(221)	(221)
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	(1,072)	-0-	(1,072)	(1,072)
Other	(129)	1	128	-0-	-0-	-0-	-0-	-0-
Comprehensive income							$ 127,654	
Balance November 1, 2008	**$5,209**	**$ 19,734**	**$ 37,366**	**$ 408,754**	**$(17,303)**	**$ (17,857)**		**$ 435,903**

* Comprehensive income was $8.2 million and $6.1 million for the third quarter ended November 1, 2008 and November 3, 2007, respectively.

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

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies

Interim Statements

The condensed consolidated financial statements contained in this report are unaudited but reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods of the fiscal year ending January 31, 2009 ("Fiscal 2009") and of the fiscal year ended February 2, 2008 ("Fiscal 2008"). The results of operations for any interim period are not necessarily indicative of results for the full year. The interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K.

Nature of Operations

The Company's businesses include the design or sourcing, marketing and distribution of footwear, principally under the *Johnston & Murphy* and *Dockers* brands and the operation at November 1, 2008 of 2,228 *Journeys, Journeys Kidz, Shi by Journeys, Johnston & Murphy, Underground Station, Hat World, Lids, Hat Shack, Hat Zone, Head Quarters, Cap Connection* and *Lids Kids* retail footwear and headwear stores.

Principles of Consolidation

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

Use of Estimates

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

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

Inventory Valuation

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

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

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

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

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

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

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

Impairment of Long-Lived Assets

The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement or understatement of the value of long-lived assets. See also Note 3.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 10. The Company has made pretax accruals for certain of these contingencies, including approximately $0.1 million in each of the third quarters of Fiscal 2009 and Fiscal 2008 and $9.3 million and $2.2 million for the first nine months of Fiscal 2009 and Fiscal 2008, respectively. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Earnings (see Note 3). The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a best estimate of probable loss connected to the proceeding, or in cases in which no best estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves will be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

Revenue Recognition

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

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Income Taxes

As part of the process of preparing Condensed Consolidated Financial Statements, the Company is required to estimate its income taxes in each of the tax jurisdictions in which it operates. This process involves estimating actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. These temporary differences result in deferred tax assets and liabilities, which are included within the Condensed Consolidated Balance Sheets. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. To the extent the Company believes that recovery of an asset is at risk, valuation allowances are established. To the extent valuation allowances are established or increase in a period, the Company includes an expense within the tax provision in the Condensed Consolidated Statements of Earnings.

Income tax reserves are determined using the methodology established by the Financial Accounting Standards Board ("FASB") Interpretation 48, Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement 109 ("FIN 48"). FIN 48, which was adopted by the Company as of February 4, 2007, requires companies to assess each income tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company's determinations and estimates prove to be inaccurate, the resulting adjustments could be material to its future financial results.

Postretirement Benefits Plan Accounting

Substantially all current full-time employees (except employees in the Hat World segment), who also had 1,000 hours of service in calendar year 2004, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS No. 158") which requires companies to recognize the overfunded or underfunded status of postretirement benefit plans as an asset or liability in their condensed consolidated balance sheets and to recognize changes in that funded status in accumulated other comprehensive loss, net of tax, in the year in which the changes occur. This statement did not change the accounting for plans required by SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87") and it did not eliminate any of the expanded disclosures required by SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits." On February 3, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158. As a result of the adoption of SFAS No. 158, the Company recognized a $0.8 million (net of tax) cumulative adjustment in accumulated other comprehensive loss in shareholders' equity for Fiscal 2007 related to the Company's post-retirement medical and life insurance benefits. SFAS No. 158 also requires companies to measure the funded status of a plan as of the date of its fiscal year end. This requirement of SFAS No. 158 is effective for the Company in Fiscal 2009. The Company does not believe the adoption of the measurement date will have a material impact on the Company's results of operations or financial position.

The Company accounts for the defined benefit pension plans using SFAS No. 87, as amended. As permitted under SFAS No. 87, pension expense is recognized on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Share-Based Compensation

The Company has share-based compensation plans covering certain members of management and non-employee directors. Pursuant to SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"), the Company recognizes compensation expense for share-based payments based on the fair value of the awards. For the third quarter of Fiscal 2009 and 2008, share-based compensation expense was $0.5 million and $0.8 million, respectively. For the third quarter of Fiscal 2009 and 2008, restricted stock expense was $1.7 million and $1.2 million, respectively. For the first nine months of Fiscal 2009 and 2008, share-based compensation expense was $1.6 million and $2.6 million, respectively. For the first nine months of Fiscal 2009 and 2008, restricted stock expense was $4.9 million and $3.5 million, respectively. The benefits of tax deductions in excess of recognized compensation expense are reported as a financing cash flow.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option pricing model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense, including expected stock price volatility. The Company bases expected volatility on historical term structures. The Company bases the risk free rate on an interest rate for a bond with a maturity commensurate with the expected term estimate. The Company estimates the expected term of stock options using historical exercise and employee termination experience. The Company does not currently pay a dividend on common stock. The fair value of employee restricted stock is determined based on the closing price of the Company’s stock on the date of the grant.

In addition to the key assumptions used in the Black-Scholes model, the estimated forfeiture rate at the time of valuation (which is based on historical experience for similar options) is a critical assumption, as it reduces expense ratably over the vesting period. Share-based compensation expense is recorded based on a 2% expected forfeiture rate and is adjusted annually for actual forfeitures. The Company reviews the expected forfeiture rate annually to determine if that percent is still reasonable based on historical experience. The Company believes its estimates are reasonable in the context of actual (historical) experience.

The Company did not grant stock options for the three months and nine months ended November 1, 2008. The Company granted zero shares and 2,351 shares of stock options for the three months and nine months ended November 3, 2007, respectively, at a weighted average exercise price of $42.82 and a weighted average fair value of $16.28. During the three months and nine months ended November 1, 2008, the Company issued zero shares and 397,273 shares, respectively, of employee restricted stock which vest over a three-year term. The Company issued 26,057 employee restricted shares during the three months ended August 2, 2008 at a grant date fair value of $29.74 per share and issued 371,216 employee restricted shares during the three months ended May 3, 2008 at a grant date fair value of $20.16 per share. During the three and nine months ended November 3, 2007, the Company issued zero shares and 3,547 shares, respectively, of employee restricted stock which vest over a four-year term and had a grant date fair value of $42.82 per share. For the three months and nine months ended November 1, 2008, the Company issued zero shares and 18,792 shares, respectively, of director restricted stock at a weighted average exercise price of $28.72. The Company did not issue any director restricted stock for the three or nine months ended November 3, 2007. For the three and nine months ended November 1, 2008 and November 3, 2007, the Company did not issue any shares of director retainer stock.

Cash and Cash Equivalents

Included in cash and cash equivalents at November 1, 2008, February 2, 2008 and November 3, 2007 are cash equivalents of $0.1 million, $0.4 million and $1.0 million, respectively. Cash equivalents are highly-liquid financial instruments having an original maturity of three months or less. The majority of payments due from banks for customer credit card transactions process within 24 — 48 hours and are accordingly classified as cash and cash equivalents.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

At November 1, 2008, February 2, 2008 and November 3, 2007 outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately $31.6 million, $26.4 million and $10.2 million, respectively. These amounts are included in accounts payable on the Condensed Consolidated Balance Sheets.

Concentration of Credit Risk and Allowances on Accounts Receivable

The Company's footwear wholesale businesses sell primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Customer credit risk is affected by conditions or occurrences within the economy and the retail industry as well as by customer specific factors. One customer accounted for 16% and no other customer accounted for more than 9% of the Company's trade receivables balance as of November 1, 2008.

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

Property and Equipment

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

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

Leases

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

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

Note 1
Summary of Significant Accounting Policies, Continued

The Company occasionally receives reimbursements from landlords to be used towards construction of the store the Company intends to lease. Leasehold improvements are recorded at their gross costs including items reimbursed by landlords. The reimbursements are amortized as a reduction of rent expense over the initial lease term. Tenant allowances of $25.5 million, $25.5 million and $25.6 million at November 1, 2008, February 2, 2008 and November 3, 2007, respectively, and deferred rent of $28.6 million, $26.3 million and $25.8 million at November 1, 2008, February 2, 2008 and November 3, 2007, respectively, are included in deferred rent and other long-term liabilities on the Condensed Consolidated Balance Sheets.

Goodwill and Other Intangibles

Under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142"), goodwill and intangible assets with indefinite lives are not amortized, but are tested at least annually for impairment. SFAS No. 142 also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144").

Intangible assets of the Company with indefinite lives are primarily goodwill and identifiable trademarks acquired in connection with the acquisition of Hat World Corporation on April 1, 2004 and Hat Shack, Inc. on January 11, 2007. The Condensed Consolidated Balance Sheets include goodwill for the Hat World Group of $107.6 million at November 1, 2008, February 2, 2008 and November 3, 2007. The Company tests for impairment of intangible assets with an indefinite life, at a minimum on an annual basis, relying on a number of factors including operating results, business plans and projected future cash flows. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount.

Identifiable intangible assets of the Company with finite lives are primarily in-place leases and customer lists. They are subject to amortization based upon their estimated useful lives. Finite-lived intangible assets are evaluated for impairment using a process similar to that used to evaluate other definite-lived long-lived assets, a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

Cost of Sales

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

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

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

Selling and Administrative Expenses

Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses in the amounts of $1.0 million for the third quarter of each of Fiscal 2009 and Fiscal 2008 and $2.7 million and $2.5 million for the first nine months of Fiscal 2009 and Fiscal 2008, respectively.

Gift Cards

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

The Company recognized income of $0.6 million in the fourth quarter of Fiscal 2007 due to the Company's belief that it had sufficient historical information to support the recognition of gift card breakage after a review of state escheat laws in which it operates. This initial recognition of gift card breakage was included as a reduction in restructuring and other, net on the Condensed Consolidated Statements of Earnings. Effective February 4, 2007, gift card breakage is recognized in revenues each period. Gift card breakage recognized as revenue was less than $0.1 million and $0.1 million for the third quarter of Fiscal 2009 and 2008, respectively, and $0.2 million for each of the first nine months of Fiscal 2009 and 2008. The Condensed Consolidated Balance Sheets include an accrued liability for gift cards of $5.6 million, $7.5 million and $5.0 million at November 1, 2008, February 2, 2008 and November 3, 2007, respectively.

Buying, Merchandising and Occupancy Costs

The Company records buying, merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Shipping and Handling Costs

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

Preopening Costs

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

Store Closings and Exit Costs

From time to time, the Company makes strategic decisions to close stores or exit locations or activities. If stores or operating activities to be closed or exited constitute components, as defined by SFAS No. 144, and will not result in a migration of customers and cash flows, these closures will be considered discontinued operations when the related assets meet the criteria to be classified as held for sale, or at the cease-use date, whichever occurs first. The results of operations of discontinued operations are presented retroactively, net of tax, as a separate component on the Condensed Consolidated Statements of Earnings, if material individually or cumulatively. To date, no store closings meeting the discontinued operations criteria have been material individually or cumulatively.

Assets related to planned store closures or other exit activities are reflected as assets held for sale and recorded at the lower of carrying value or fair value less costs to sell when the required criteria, as defined by SFAS No. 144, are satisfied. Depreciation ceases on the date that the held for sale criteria are met.

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

Exit costs related to anticipated lease termination costs, severance benefits and other expected charges are accrued for and recognized in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities."

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were $8.9 million and $8.8 million for the third quarter of Fiscal 2009 and 2008, respectively, and $25.5 million and $25.1 million for the first nine months of Fiscal 2009 and 2008, respectively. Direct response advertising costs for catalogs are capitalized in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position No. 93-7, "Reporting on Advertising Costs." Such costs are amortized over the estimated future revenues realized from such advertising, not to exceed six months. The Condensed Consolidated Balance Sheets include prepaid assets for direct response advertising costs of $2.7 million, $1.4 million and $2.3 million at November 1, 2008, February 2, 2008 and November 3, 2007, respectively.

Consideration to Resellers

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

Cooperative Advertising

Cooperative advertising funds are made available to all of the Company's wholesale customers. In order for retailers to receive reimbursement under such programs, the retailer must meet specified advertising guidelines and provide appropriate documentation of expenses to be reimbursed. The Company's cooperative advertising agreements require that wholesale customers present documentation or other evidence of specific advertisements or display materials used for the Company's products by submitting the actual print advertisements presented in catalogs, newspaper inserts or other advertising circulars, or by permitting physical inspection of displays. Additionally, the Company's cooperative advertising agreements require that the amount of reimbursement requested for such advertising or materials be supported by invoices or other evidence of the actual costs incurred by the retailer. The Company accounts for these cooperative advertising costs as selling and administrative expenses, in accordance with Emerging Issues Task Force ("EITF") Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)."

Cooperative advertising costs recognized in selling and administrative expenses were $0.7 million and $1.1 million for the third quarter of Fiscal 2009 and 2008, respectively, and $1.9 million and $2.4 million for the first nine months of Fiscal 2009 and 2008, respectively. During the first nine months of Fiscal 2009 and 2008, the Company's cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Vendor Allowances

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

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

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were $0.3 million and $0.2 million for the third quarter of Fiscal 2009 and 2008, respectively, and $2.4 million and $2.6 million for the first nine months of Fiscal 2009 and 2008, respectively. During the third quarter of Fiscal 2009 and 2008, the Company’s cooperative advertising reimbursements received were not in excess of the costs incurred.

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. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock (see Note 9).

Other Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," requires, among other things, the Company's pension liability adjustment, postretirement liability adjustment, unrealized gains or losses on foreign currency forward contracts and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at November 1, 2008 consisted of $16.7 million of cumulative pension liability adjustments, net of tax and a $0.2 million cumulative postretirement liability adjustment, net of tax, and a foreign currency translation adjustment of $0.5 million, offset by cumulative net gains of $39,000 on foreign currency forward contracts, net of tax.

Business Segments

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," requires that companies disclose "operating segments" based on the way management disaggregates the Company's operations for making internal operating decisions (see Note 11).

Derivative Instruments and Hedging Activities

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of SFAS No. 133," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," (collectively "SFAS No. 133") require an entity to recognize all derivatives as either assets or liabilities in the condensed consolidated balance sheet and to measure those instruments at fair value. Under certain conditions, a derivative may be specifically designated as a fair value hedge or a cash flow hedge. The accounting for changes in the fair value of a derivative are recorded each period in current earnings or in other comprehensive income depending on the intended use of the derivative and the resulting designation.

Table of Contents

Note 1
Summary of Significant Accounting Policies, Continued

New Accounting Principles

The Company adopted SFAS No. 157, "Fair Value Measurements," ("SFAS No. 157") as of February 3, 2008, with the exception of the application of the statement of non-recurring, nonfinancial assets and liabilities. The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial position. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-b, "Effective Date of FASB Statement No. 157," ("FSP 157-b"). FSP 157-b amended SFAS No. 157, to delay the effective date for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually). FSP 157-b defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 (Fiscal 2010 for the Company), and interim periods within those fiscal years for items within the scope of the FSP. See Note 6 for additional information.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option of Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 allows companies to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company adopted SFAS No. 159 as of February 3, 2008 and did not elect the fair value option to measure certain financial instruments. Accordingly, the adoption of SFAS No. 159 did not have a material impact on the Company's results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – An Amendment of SFAS No. 133" ("SFAS No. 161"). SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008 (Fiscal 2010 for the Company). The Company does not believe the adoption of SFAS 161 will have a material impact on its results of operations or financial position.

In May 2008, the FASB issued FASB Staff Position APB 14-1, "Accounting for Convertible Debt Instruments That May be Settled in Cash Upon Conversion, (including partial cash settlement)," ("FSP APB 14-1"). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 (Fiscal 2010 for the Company), and interim periods within those fiscal years. The Company is currently evaluating the impact that the adoption of FSP APB 14-1 will have on its results of operations and financial position.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 2
Terminated Merger Agreement

The Company announced in June 2007 that the boards of directors of both Genesco and The Finish Line, Inc. had unanimously approved a definitive merger agreement under which The Finish Line would acquire all of the outstanding common shares of Genesco at $54.50 per share in cash (the “Proposed Merger”). The Finish Line refused to close the Proposed Merger and litigation ensued. The Proposed Merger and related agreement were terminated in March 2008 in connection with an agreement to settle the litigation with The Finish Line and UBS Loan Finance LLC and UBS Securities LLC (collectively, “UBS”) for a cash payment of $175.0 million to the Company and a 12% equity stake in The Finish Line, which the Company received in the first quarter of Fiscal 2009. The Company distributed the 12% equity stake, or 6,518,971 shares of Class A Common Stock of The Finish Line Inc., on June 13, 2008, to its common shareholders of record on May 30, 2008, as required by the settlement agreement.

During the third quarter and first nine months of Fiscal 2009, the Company expensed $0.2 million and $7.8 million, respectively, in merger-related litigation costs. During the third quarter and first nine months of Fiscal 2008, the Company expensed $6.1 million and $11.6 million, respectively, in merger-related costs and litigation expenses. The total merger-related costs and litigation expenses for Fiscal 2008 of $27.6 million are tax deductible in Fiscal 2009 and will result in a permanent tax benefit reflected as a component of income tax expense. For additional information, see the “Merger-Related Litigation” section in Note 10.

Note 3
Restructuring and Other Charges and Discontinued Operations

Restructuring and Other Charges

In accordance with Company policy, assets are determined to be impaired when the revised estimated future cash flows, undiscounted and without interest charges, are insufficient to recover the carrying costs. Impairment charges represent the excess of the carrying value over the fair value of those assets.

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

The Company recorded a pretax charge to earnings of $2.3 million in the third quarter of Fiscal 2009. The charge included $1.9 million in retail store asset impairments and $0.4 million for lease terminations. The Company recorded a pretax charge to earnings of $7.8 million in the first nine months of Fiscal 2009. The charge included $5.5 million in retail store asset impairments, $1.2 million for lease terminations and $1.1 million in other legal matters.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 3
Restructuring and Other Charges and Discontinued Operations, Continued

The Company recorded a pretax charge to earnings of $0.1 million in the third quarter of Fiscal 2008. The charge was primarily for retail store asset impairments. The Company recorded a pretax charge to earnings of $6.8 million in the first nine months of Fiscal 2008. The charge included $6.8 million of charges for retail store asset impairments, primarily in the Underground Station Group, and $0.3 million for the lease termination of one Hat World store, offset by a $0.3 million excise tax refund.

Discontinued Operations

For the nine months ended November 1, 2008, the Company recorded an additional pretax charge to earnings of $9.0 million ($5.5 million net of tax) reflected in discontinued operations primarily for an environmental liability relating to settlement negotiations with the Environmental Protection Agency concerning the site of a factory in New York, which the Company operated in the late 1960's.

Accrued Provision for Discontinued Operations

In thousands	Facility Shutdown Costs
Balance February 3, 2007	$ 6,065
Additional provision Fiscal 2008	2,633
Charges and adjustments, net	(1,204)
Balance February 2, 2008	7,494
Additional provision Fiscal 2009	9,010
Charges and adjustments, net	(891)
Balance November 1, 2008*	15,613
Current provision for discontinued operations	10,007
Total Noncurrent Provision for Discontinued Operations	**$ 5,606**

* Includes a $16.0 million environmental provision, including $9.9 million in current provision, for discontinued operations.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 4
Inventories

In thousands	November 1, 2008	February 2, 2008
Raw materials	$ 236	$ 204
Wholesale finished goods	40,482	31,081
Retail merchandise	338,896	269,263
Total Inventories	$ 379,614	$ 300,548

Note 5
Derivative Instruments and Hedging Activities

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments for its Johnston & Murphy Group (primarily the Euro), the Company enters into foreign currency forward exchange contracts with a maximum hedging period of twelve months. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged. The settlement terms of the forward contracts correspond with the expected payment terms for the merchandise inventories. As a result, there is no hedge ineffectiveness to be reflected in earnings. The notional amount of such contracts outstanding at November 1, 2008 and February 2, 2008 was $1.5 million and $2.5 million, respectively. Forward exchange contracts have an average remaining term of approximately one month. The loss based on spot rates under these contracts at November 1, 2008 was $0.2 million and the gain based on spot rates under these contracts at February 2, 2008 was $41,000. For the nine months ended November 1, 2008, the Company recorded an unrealized loss on foreign currency forward contracts of $0.4 million and for the nine months ended November 3, 2007, the Company recorded an unrealized gain on foreign currency forward contracts of $0.2 million in accumulated other comprehensive loss, before taxes. The Company monitors the credit quality of the major national and regional financial institutions with which it enters into such contracts.

The Company estimates that the majority of net hedging losses related to forward exchange contracts will be reclassified from accumulated other comprehensive loss into earnings through higher cost of sales over the succeeding year.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 6
Fair Value

The Company adopted SFAS No. 157 as of February 3, 2008, with the exception of the application of the statement of non-recurring, nonfinancial assets and liabilities. The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial position. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-b. FSP 157-b amended SFAS No. 157, to delay the effective date for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually). FSP 157-b defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 (Fiscal 2010 for the Company), and interim periods within those fiscal years for items within the scope of the FSP.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

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

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of November 1, 2008:

	Fair Value Measurements as of November 1, 2008			
(In thousands)	Total	Level 1	Level 2	Level 3
Assets:				
Foreign exchange forward contracts[1]	$ (233)	$ —	$ (233)	$ —
Total	$ (233)	$ —	$ (233)	$ —

(1) Unrealized gains or losses on derivatives are recorded in accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets at each measurement date.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 7
Accounting for Uncertainty in Income Taxes

The provision for income taxes resulted in an effective tax rate for continuing operations of 38.1% for the first nine months ended November 1, 2008, compared with an effective tax rate of 42.5% for the first nine months ended November 3, 2007. The decrease in the effective tax rate for the first nine months of Fiscal 2009 was primarily attributable to non-deductible expenses incurred in Fiscal 2008 related to the merger agreement with The Finish Line that became deductible upon termination of the merger agreement in Fiscal 2009 offset by an income tax liability recorded as a result of the increase in value of the shares of common stock received in the settlement agreement. In addition, the FIN 48 liability increased $6.6 million for the nine months ended November 1, 2008 primarily related to the settlement agreement which was partially offset by a $1.2 million reduction from an agreement reached on a state income tax contingency.

Note 8
Defined Benefit Pension Plans and Other Benefit Plans

Components of Net Periodic Benefit Cost

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
In thousands	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
Service cost	$ 63	$ 62	$ 33	$ 57
Interest cost	1,574	1,612	41	52
Expected return on plan assets	(2,147)	(2,006)	-0-	-0-
Amortization:				
Prior service cost	1	2	-0-	-0-
Losses	846	1,171	20	18
Net amortization	847	1,173	20	18
Net Periodic Benefit Cost	$ 337	$ 841	$ 94	$ 127

	Pension Benefits		Other Benefits	
	Nine Months Ended		Nine Months Ended	
In thousands	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
Service cost	$ 188	$ 187	$ 99	$ 171
Interest cost	4,743	4,839	123	156
Expected return on plan assets	(6,422)	(6,018)	-0-	-0-
Amortization:				
Prior service cost	4	6	-0-	-0-
Losses	2,515	3,247	60	54
Net amortization	2,519	3,253	60	54
Net Periodic Benefit Cost	$ 1,028	$ 2,261	$ 282	$ 381

While there was no cash contribution requirement for the Plan in 2008, the Company made a $4.0 million contribution to the Plan in March 2008.

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

Note 9
Earnings Per Share

(In thousands, except per share amounts)	For the Three Months Ended November 1, 2008			For the Three Months Ended November 3, 2007		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	**$ 9,463**			$ 5,610		
Less: Preferred stock dividends	**(49)**			(49)		
Basic EPS						
Earnings available to common shareholders	**9,414**	**18,638**	**$ .51**	5,561	22,454	$ .25
Effect of Dilutive Securities						
Options		**388**			509	
Convertible preferred stock(1)	**-0-**	**-0-**		-0-	-0-	
4 1/8% Convertible Subordinated Debentures	**647**	**4,298**		604	3,898	
Employees' preferred stock(2)		**51**			57	
Diluted EPS						
Earnings available to common shareholders plus assumed conversions	**$ 10,061**	**23,375**	**$ .43**	$ 6,165	26,918	$ .23

(1) The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock was higher than basic earnings per share for all periods presented. Therefore, conversion of the convertible preferred stock was not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for the three months ended November 1, 2008 for Series 1, 3 and 4 preferred stock would have been 27,989, 25,949 and 5,423, respectively. The shares convertible to common stock for the three months ended November 3, 2007 for Series 1, 3 and 4 preferred stock would have been 28,047, 25,949 and 5,423, respectively.

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

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

Note 9
Earnings Per Share, Continued

(In thousands, except per share amounts)	For the Nine Months Ended November 1, 2008 Income (Numerator)	Shares (Denominator)	Per-Share Amount	For the Nine Months Ended November 3, 2007 Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	**$ 134,426**			$ 4,873		
Less: Preferred stock dividends	**(148)**			(167)		
Basic EPS						
Income available to common shareholders	**134,278**	**19,401**	**$ 6.92**	4,706	22,420	$ .21
Effect of Dilutive Securities						
Options		**360**			516	
Convertible preferred stock(1)	**115**	**59**		-0-	-0-	
4 1/8% Convertible Subordinated Debentures	**1,876**	**4,298**		-0-	-0-	
Employees' preferred stock(2)		**52**			58	
Diluted EPS						
Income available to common shareholders plus assumed conversions	**$ 136,269**	**24,170**	**$ 5.64**	$ 4,706	22,994	$ .20

(1) The amount of the dividend on the convertible preferred stock per common share obtainable on the conversion of the convertible preferred stock was less than basic earnings per share for the nine months ended November 1, 2008. Therefore, conversion of Series 1, 3 and 4 preferred shares were included in diluted earnings per share for the nine months of Fiscal 2009. The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock was higher than basic earnings per share for the nine months ended November 3, 2007. Therefore, conversion of the convertible preferred stock was not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 27,989, 25,949 and 5,423, respectively.

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

The Company did not repurchase any shares during Fiscal 2008. In March 2008, the board authorized up to $100.0 million in stock repurchases primarily funded with the after-tax cash proceeds of the settlement of merger-related litigation with The Finish Line and UBS (see Notes 2 and 10). The Company repurchased 4.0 million shares at a cost of $90.9 million during the nine months ended November 1, 2008.

Note 10
Legal Proceedings

Environmental Matters

New York State Environmental Matters

In August 1997, the New York State Department of Environmental Conservation ("NYSDEC") and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study ("RIFS") and implementing an interim remedial measure ("IRM") with regard to the site of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969. The Company undertook the IRM and RIFS voluntarily, without admitting liability or accepting responsibility for any future remediation of the site. The Company has completed the IRM and the RIFS. In the course of preparing the RIFS, the Company identified remedial alternatives with estimated undiscounted costs ranging from $-0- to $24.0 million, excluding amounts previously expended or provided for by the Company, as described in this footnote. The United States Environmental Protection Agency ("EPA"), which has assumed primary regulatory responsibility for the site from NYSDEC, issued a Record of Decision in September 2007. The Record of Decision requires a remedy of a combination of groundwater extraction and treatment and in-site chemical oxidation at an estimated present worth cost of approximately $10.7 million. On April 10, 2008, the EPA sent special notice letters under Section 122(e) of the Comprehensive Environmental Response, Compensation and Liability Act to the Company and the property owner, inviting the recipients to make good faith offers to finance or conduct remediation pursuant to the Record of Decision. The Company has responded to the special notice letter with an offer to implement the remedial action required by the Record of Decision (at a cost estimated by EPA of $4.5 million) and to pay a lump sum of $4.1 million in satisfaction of any obligations for future operating, maintenance and monitoring costs. The Company provided for the estimated costs of its offer in the second quarter of Fiscal 2009. The EPA has not accepted the Company's offer and there can be no assurance that future negotiations with or administrative action by the EPA or future changes in cost estimates will not involve costs in addition to those the Company has provided for.

The Village of Garden City, New York, has asserted that the Company is liable for the costs associated with enhanced treatment required by the impact of the groundwater plume from the site on two public water supply wells, including historical costs ranging from approximately $1.8 million to in excess of $2.5 million, and future operation and maintenance costs which the Village estimates at $126,400 annually while the enhanced treatment continues. On December 14, 2007, the Village filed a complaint against the Company and the owner of the property under provisions of various federal environmental statutes in the U.S. District Court for the Eastern District of New York, seeking an injunction requiring the defendants to remediate contamination from the site and to establish their liability for future costs that may be incurred in connection with it, which the complaint alleges could exceed $41 million over a 70-year period. The Company has not verified the estimates of either historic or future costs asserted by the Village, but believes that an estimate of future costs based on a 70-year remediation period is unreasonable given the expected remedial period reflected in the EPA's Record of Decision. On May 23, 2008, the Company filed a motion to dismiss the Village's complaint on grounds including applicable statutes of limitation and preemption of certain claims by the NYSDEC's and the EPA's diligent prosecution of remediation.

Note 10
Legal Proceedings, Continued

In December 2005, the EPA notified the Company that it considers the Company a potentially responsible party (“PRP”) with respect to contamination at two Superfund sites in upstate New York. The sites were used as landfills for process wastes generated by a glue manufacturer, which acquired tannery wastes from several tanners, allegedly including the Company’s Whitehall tannery, for use as raw materials in the gluemaking process. The Company has no records indicating that it ever provided raw materials to the gluemaking operation and has not been able to establish whether EPA’s substantive allegations are accurate. The Company, together with other tannery PRP’s, has entered into cost sharing agreements and Consent Decrees with the EPA with respect to both sites. Based upon the current estimates of the cost of remediation, the Company’s share is expected to be less than $250,000 in total for the two sites. While there is no assurance that the Company’s share of the actual cost of remediation will not exceed the estimate, the Company does not presently expect that its aggregate exposure with respect to these two landfill sites will have a material adverse effect on its financial condition or results of operations.

Whitehall Environmental Matters

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

The Company has submitted to the Michigan Department of Environmental Quality (“MDEQ”) and provided for certain costs associated with a remedial action plan (the “Plan”) designed to bring the property into compliance with regulatory standards for non-industrial uses and has subsequently engaged in negotiations regarding the scope of the Plan. The Company estimates that the costs of resolving environmental contingencies related to the Whitehall property range from $3.9 million to $4.4 million, and considers the cost of implementing the Plan, as it is modified in the course of negotiations with the MDEQ, to be the most likely cost within that range. Until the Plan is finally approved by the MDEQ, management cannot provide assurances that no further remediation will be required or that its estimate of the range of possible costs or of the most likely cost of remediation will prove accurate.

Accrual for Environmental Contingences

Related to all outstanding environmental contingencies, the Company had accrued $16.0 million as of November 1, 2008, $7.8 million as of February 2, 2008 and $7.4 million as of November 3, 2007. All such provisions reflect the Company’s estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying Condensed Consolidated Balance Sheets.

Note 10
Legal Proceedings, Continued

Merger-Related Litigation

Genesco Inc. v. The Finish Line, et al.

UBS Securities LLC and UBS Loan Finance LLC v. Genesco Inc., et al.

On June 18, 2007, the Company announced that the boards of directors of Genesco and The Finish Line had unanimously approved a definitive merger agreement under which The Finish Line would acquire all of the outstanding common shares of Genesco at $54.50 per share in cash. On September 21, 2007, the Company filed suit against The Finish Line, Inc. in Chancery Court in Nashville, Tennessee seeking a court order requiring The Finish Line to consummate the merger with the Company (the "Tennessee Action"), UBS Securities LLC and UBS Loan Finance LLC (collectively, "UBS") subsequently intervened as a defendant in the Tennessee action.

On November 15, 2007, UBS filed a separate lawsuit in the United States District Court for the Southern District of New York (the "New York Action"), naming the Company and The Finish Line as defendants. In the New York Action, UBS sought a declaration that its commitment to provide The Finish Line with financing for the merger transaction was void and/or could be terminated by UBS because The Finish Line would not be able to provide, prior to the expiration of the financing commitment on April 30, 2008, a valid solvency certificate attesting to the solvency of the combined entities resulting from the merger, which certificate was a condition precedent to the closing of the financing. The Company was named in the New York Action as an interested party.

Trial of the Tennessee Action began on December 10, 2007 and concluded on December 18, 2007. On December 27, 2007, the Chancery Court ordered The Finish Line to specifically perform the terms of the Merger Agreement. In its order, the Court rejected UBS's and Finish Line's claims of fraud and misrepresentation and declared that all conditions to the Merger Agreement had been met. The Court also declared that Finish Line had breached the Merger Agreement by not closing the merger. The Court ordered Finish Line to close the merger pursuant to section 1.2 of the Merger Agreement, to use its reasonable best efforts to take all actions to consummate the merger as required by section 6.4(d) of the Merger Agreement, and to use its reasonable best efforts to obtain financing as per section 6.8(a) of the Merger Agreement. The Court excluded from its order any ruling on the issue of the solvency of the combined company, finding that the issue of solvency was reserved for determination by the New York Court in the New York Action filed by UBS.

Genesco Inc.
and Subsidiaries
Notes to Consolidated Financial Statements

Note 10
Legal Proceedings, Continued

On March 3, 2008, the Company, The Finish Line, and UBS entered into a definitive agreement for the termination of the merger agreement with The Finish Line and the settlement of all related litigation among The Finish Line and the Company and UBS, including the Tennessee Action and the New York Action. In the settlement agreement, the parties agreed that: (1) the merger agreement between the Company and The Finish Line would be terminated; (2) the financing commitment from UBS to The Finish Line would be terminated; (3) UBS and The Finish Line would pay to the Company an aggregate of $175 million in cash; (4) The Finish Line would transfer to the Company a number of Class A shares of The Finish Line common stock equal to 12.0% of the total post-issuance outstanding shares of The Finish Line common stock which the Company would use its best efforts to distribute to its common shareholders as soon as practicable after the shares' registration and listing on NASDAQ; (5) the Company and The Finish Line would be subject to a mutual standstill agreement; and (6) the parties would execute customary mutual releases. Stipulations of Dismissal were filed by all parties to both the New York Action and the Tennessee Action, and both Actions were dismissed. The Company distributed the shares of The Finish Line common stock received in the settlement to the Company's shareholders during the second quarter of Fiscal 2009.

Investigation by the Office of the U.S. Attorney for the Southern District of New York

On November 21, 2007, the Company received a grand jury subpoena from the Office of the U.S. Attorney for the Southern District of New York for documents relating to the Company's negotiations and merger agreement with The Finish Line. The subpoena states that the documents are sought in connection with alleged violations of federal fraud statutes. The Company cooperated fully with the U.S. Attorney's Office and produced documents pursuant to the subpoena.

In re Genesco Inc. Securities Litigation

On December 5, 2007, a class action complaint styled *Roeglin v. Genesco Inc., et al.*, alleging violations of the federal securities laws on behalf of all purchasers of the Company's common stock between April 20, 2007 and November 26, 2007 was filed against the Company and four of its officers in the U.S. District Court for the Middle District of Tennessee. The complaint alleges that the defendants violated federal securities laws by making false and misleading statements about the Company's business during that period. It seeks unspecified damages and interest, costs and attorneys' fees and other relief. The Company does not believe there is any merit to the allegations and intends to defend these claims vigorously.

Genesco Inc.
and Subsidiaries
Notes to Consolidated Financial Statements

Note 10
Legal Proceedings, Continued

On December 13, 2007, a second class action complaint styled *Koshti v. Genesco Inc., et al*., alleging violations of the federal securities laws on behalf of all purchasers of the Company's common stock between April 20, 2007 and November 26, 2007 was filed against the Company and three of its officers in the U.S. District Court for the Middle District of Tennessee. The Complaint alleges that the defendants violated federal securities laws by failing to disclose material adverse facts about the Company's financial well being and prospects during the class period. The complaint seeks unspecified damages and interest, costs and attorneys' fees and other relief. On January 22, 2008, the U.S. District Court entered a stipulation and Order consolidating the *Koshti* case with the *Roeglin* case.

Falzone v. Genesco Inc., et al.

On December 11, 2007, a class action complaint alleging violations of the federal securities laws on behalf of all purchasers of the Company's common stock between May 31, 2007 and November 16, 2007 was filed against the Company and one of its officers in the U.S. District Court for the Southern District of New York. The complaint alleged that the defendants violated federal securities laws by making false and misleading statements about the Company's business during that period. It sought unspecified damages and interest, costs and attorneys' fees and other relief. On February 5, 2008, the plaintiff filed a Stipulation and Order of Discontinuance Without Prejudice dismissing the case in light of the earlier filed cases in Tennessee.

Phillips v. Genesco Inc., et al.

On April 24, 2007, a putative class action, Maxine Phillips, on Behalf of Herself and All Others Similarly Situated vs. Genesco Inc., et al., was filed in the Tennessee Chancery Court in Nashville. The original complaint alleged, among other things, that the individual defendants (officers and directors of the Company) refused to consider properly the proposal by Foot Locker, Inc. to acquire the Company. The complaint sought class certification, a declaration that defendants have breached their fiduciary and other duties, an order requiring defendants to implement a process to obtain the highest possible price for shareholders' shares, and an award of costs and attorney's fees. Following the execution of the merger agreement with The Finish Line, Inc., the plaintiff filed an amended complaint alleging breach of fiduciary duties by the individual defendants in connection with the board of directors' approval of the merger agreement and the disclosures made in the preliminary proxy statement related to the merger and seeking injunctive relief. On April 28, 2008, the court entered an order dismissing the case without prejudice for failure to prosecute.

Note 10
Legal Proceedings, Continued

California Matters

On November 4, 2005, a former employee gave notice to the California Labor Work Force Development Agency (“LWDA”) of a claim against the Company for allegedly failing to provide a payroll check that is negotiable and payable in cash, on demand, without discount, at an established place of business in California, as required by the California Labor Code. On May 18, 2006, the same claimant filed a putative class, representative and private attorney general action alleging the same violations of the Labor Code in the Superior Court of California, Alameda County, seeking statutory penalties, damages, restitution, and injunctive relief. On February 21, 2007, the court granted leave for the plaintiff to file an amended complaint adding the Company’s wholly-owned subsidiary, Hat World, Inc., as a defendant. On April 15, 2008, the parties reached an agreement to settle the action pursuant to which the Company will pay a minimum of $750,000 and a maximum of $1,025,408, depending upon the number of verified claims submitted by class members.

On April 8, 2008, a putative class action was filed against the Company in the Superior Court of California, San Diego County, alleging violations of the Song-Beverly Credit Card Act of 1971, California Civil Code §1747.08, related to requests that customers in the Company’s California Johnston & Murphy retail stores voluntarily provide the Company with their e-mail addresses. On October 13, 2008, the court certified the action as a class action and preliminarily approved a settlement agreement pursuant to which the Company has issued to each plaintiff class member a discount coupon good for 25% off up to a $200 purchase from a Johnston & Murphy store in a single transaction, exchangeable at the class member’s option for a $25 gift card. The Company also agreed to pay attorney’s fees and costs and additional consideration to the named plaintiff totaling approximately $200,000.

On June 16, 2008, there was filed in the Superior Court of the State of California, County of Shasta, a putative class action styled *Jacobs v. Genesco Inc. et al*., alleging violations of the California Labor Code involving payment of wages, failure to provide mandatory meal and rest breaks, and unfair competition, and seeking back pay, penalties and declaratory and injunctive relief. The Company has removed the case to the Federal District Court for the Eastern District of California. On September 3, 2008, the court dismissed certain of the plaintiff’s claims, including claims for conversion and punitive damages. The Company is preparing to conduct oral and written discovery and to defend itself against the remaining claims in the case.

Genesco Inc.
and Subsidiaries
Notes to Consolidated Financial Statements

Note 10
Legal Proceedings, Continued

Patent Action

The Company is named as a defendant in *Paul Ware and Financial Systems Innovation, L.L.C. v. Abercrombie & Fitch Stores, Inc., et al.*, filed on June 19, 2007, in the United States District Court for the Northern District of Georgia, against more than 100 retailers. The suit alleges that the defendants have infringed U.S. Patent No. 4,707,592 by using a feature of their retail point of sale registers to generate transaction numbers for credit card purchases. The complaint seeks treble damages in an unspecified amount and attorneys' fees. The Company has filed an answer denying the substantive allegations in the complaint and asserting certain affirmative defenses. On December 14, 2007, the Company filed a third-party complaint against Datavantage Corporation and MICROS Systems, Inc., its vendor for the technology at issue in the case, seeking indemnification and defense against the infringement allegations in the complaint. On December 27, 2007, the court stayed proceedings in the litigation pending the outcome of a reexamination of the patent by the U. S. Patent and Trademark Office. On September 15, 2008, the patent examiner issued a first Office Action rejecting all of the claims in the patent as being unpatentable over the prior art.

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 11
Business Segment Information

The Company operates five reportable business segments (not including corporate): Journeys Group, comprised of the Journeys, Journeys Kidz and Shi by Journeys retail footwear chains, catalog and e-commerce operations; Underground Station Group, comprised of the Underground Station retail footwear chain and e-commerce operations and the Company's remaining Jarman retail footwear stores; Hat World Group, comprised of the Hat World, Lids, Hat Shack, Hat Zone, Head Quarters, Cap Connection and Lids Kids retail headwear chains and e-commerce operations; Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, catalog and e-commerce operations and wholesale distribution; and Licensed Brands, comprised primarily of Dockers® Footwear, sourced and marketed under a license from Levi Strauss & Company.

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

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

Corporate assets include cash, deferred income taxes, deferred note expense and corporate fixed assets. The Company charges allocated retail costs of distribution to each segment and unallocated retail costs of distribution to the corporate segment. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, stock compensation, interest expense, interest income, restructuring charges and other, including litigation.

Three Months Ended November 1, 2008 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$200,745	$ 24,266	$ 93,131	$ 41,785	$ 29,680	$ 191	$ 389,798
Intercompany sales	-0-	-0-	-0-	-0-	(31)	-0-	(31)
Net sales to external customers	**$200,745**	**$ 24,266**	**$ 93,131**	**$ 41,785**	**$ 29,649**	**$ 191**	**$ 389,767**
Segment operating income (loss)	$ 16,901	$ (2,234)	$ 6,721	$ 1,525	$ 3,892	$ (8,256)	$ 18,549
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(2,284)	(2,284)
Earnings (loss) from operations	**16,901**	**(2,234)**	**6,721**	**1,525**	**3,892**	**(10,540)**	**16,265**
Interest expense	-0-	-0-	-0-	-0-	-0-	(2,509)	(2,509)
Interest income	-0-	-0-	-0-	-0-	-0-	29	29
Earnings (loss) before income taxes from continuing operations	**$ 16,901**	**$ (2,234)**	**$ 6,721**	**$ 1,525**	**$ 3,892**	**$ (13,020)**	**$ 13,785**
Total assets	$293,956	$ 46,935	$324,722	$ 86,563	$ 34,273	$105,412	$ 891,861
Depreciation	5,499	832	3,410	893	14	1,050	11,698
Capital expenditures	5,240	59	2,983	1,682	2	806	10,772

Table of Contents

Note 11
Business Segment Information, Continued

Three Months Ended November 3, 2007 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$ 182,587	$ 26,792	$ 87,815	$ 46,403	$ 28,817	$ 130	$ 372,544
Intercompany sales	-0-	-0-	-0-	-0-	(48)	-0-	(48)
Net sales to external customers	$ 182,587	$ 26,792	$ 87,815	$ 46,403	$ 28,769	$ 130	$ 372,496
Segment operating income (loss)	$ 15,336	$ (2,930)	$ 4,639	$ 4,377	$ 4,019	$ (11,584)	$ 13,857
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(56)	(56)
Earnings (loss) from operations	15,336	(2,930)	4,639	4,377	4,019	(11,640)	13,801
Interest expense	-0-	-0-	-0-	-0-	-0-	(3,544)	(3,544)
Interest income	-0-	-0-	-0-	-0-	-0-	40	40
Earnings (loss) before income taxes from continuing operations	$ 15,336	$ (2,930)	$ 4,639	$ 4,377	$ 4,019	$ (15,144)	$ 10,297
Total assets	$ 307,097	$ 56,272	$ 334,403	$ 75,442	$ 31,763	$ 112,441	$ 917,418
Depreciation	4,859	954	3,383	840	20	1,322	11,378
Capital expenditures	13,909	410	8,355	1,493	181	1,371	25,719

Nine Months Ended November 1, 2008 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	**$ 530,467**	**$ 76,867**	**$ 283,037**	**$ 132,370**	**$ 76,602**	**$ 557**	**$ 1,099,900**
Intercompany sales	**-0-**	**-0-**	**-0-**	**-0-**	**(60)**	**-0-**	**(60)**
Net sales to external customers	**$ 530,467**	**$ 76,867**	**$ 283,037**	**$ 132,370**	**$ 76,542**	**$ 557**	**$ 1,099,840**
Segment operating income (loss)	**$ 24,587**	**$ (6,253)**	**$ 21,900**	**$ 8,202**	**$ 9,538**	**$ (30,172)**	**$ 27,802**
Gain from settlement of merger-related litigation	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**	**204,075**	**204,075**
Restructuring and other	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**	**(7,782)**	**(7,782)**
Earnings (loss) from operations	**24,587**	**(6,253)**	**21,900**	**8,202**	**9,538**	**166,121**	**224,095**
Interest expense	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**	**(7,105)**	**(7,105)**
Interest income	**-0-**	**-0-**	**-0-**	**-0-**	**-0-**	**308**	**308**
Earnings (loss) before income taxes from continuing operations	**$ 24,587**	**$ (6,253)**	**$ 21,900**	**$ 8,202**	**$ 9,538**	**$ 159,324**	**$ 217,298**
Total assets	**$ 293,956**	**$ 46,935**	**$ 324,722**	**$ 86,563**	**$ 34,273**	**$ 105,412**	**$ 891,861**
Depreciation	**15,895**	**2,545**	**10,369**	**2,526**	**45**	**3,597**	**34,977**
Capital expenditures	**19,721**	**277**	**11,694**	**6,218**	**26**	**2,457**	**40,393**

Genesco Inc.
and Subsidiaries
Notes to Condensed Consolidated Financial Statements

Note 11
Business Segment Information, Continued

Nine Months Ended November 3, 2007 In thousands	Journeys Group	Underground Station Group	Hat World Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$486,599	$ 81,122	$257,119	$138,354	$ 71,665	$ 573	$1,035,432
Intercompany sales	-0-	-0-	-0-	-0-	(308)	-0-	(308)
Net sales to external customers	$486,599	$ 81,122	$257,119	$138,354	$ 71,357	$ 573	$1,035,124
Segment operating income (loss)	$ 27,136	$ (9,991)	$ 14,709	$ 12,459	$ 9,193	$ (29,318)	$ 24,188
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(6,809)	(6,809)
Earnings (loss) from operations	27,136	(9,991)	14,709	12,459	9,193	(36,127)	17,379
Interest expense	-0-	-0-	-0-	-0-	-0-	(9,025)	(9,025)
Interest income	-0-	-0-	-0-	-0-	-0-	119	119
Earnings (loss) before income taxes from continuing operations	$ 27,136	$ (9,991)	$ 14,709	$ 12,459	$ 9,193	$ (45,033)	$ 8,473
Total assets	$307,097	$ 56,272	$334,403	$ 75,442	$ 31,763	$112,441	$ 917,418
Depreciation	13,856	3,029	9,633	2,436	60	4,165	33,179
Capital expenditures	35,505	1,380	23,739	5,431	241	2,550	68,846

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

Forward Looking Statements

This discussion and the notes to the Condensed Consolidated Financial Statements include certain forward-looking statements, including those regarding the performance outlook for the Company and its individual businesses and all other statements not addressing solely historical facts or present conditions. Actual results could differ materially from those reflected by the forward-looking statements in this discussion, in the notes to the Condensed Consolidated Financial Statements, and in other disclosures, including those regarding the Company's performance outlook for the fourth quarter of Fiscal 2009.

A number of factors may adversely affect the outlook reflected in forward looking statements and the Company's future results, liquidity, capital resources or prospects. These factors (some of which are beyond the Company's control) include:

- Continuing weakness in the economy and disruptions in the financial markets affecting the ability or willingness of the consumer to purchase the Company's products. The effects of economic weakness may be particularly pronounced in the holiday shopping season, which accounts for a disproportionately significant amount of the Company's expected sales and earnings for the year, and the apparent severity of the current downturn makes its effect on the Company's near-term outlook unusually difficult to predict.
- Fashion trends that affect the sales or product margins of the Company's retail product offerings.
- Inability of customers to obtain credit.
- Changes in the timing of holidays, or in the onset of seasonal weather affecting period-to-period sales comparisons.
- Changes in buying patterns by significant wholesale customers.
- Bankruptcies and deterioration in the financial condition of wholesale customers, limiting their ability to buy or pay for merchandise offered by the Company.
- Disruptions in product supply or distribution.
- Unfavorable trends in fuel costs, and further unfavorable trends in foreign exchange rates, foreign labor and material costs and other factors affecting the cost of products.
- Changes in business strategies by the Company's competitors (including pricing, distribution and promotional discounts), the entry of additional competitors into the Company's markets, and other competitive factors.
- The Company's ability to open, staff and support additional retail stores on schedule and at acceptable expense levels and to renew leases in existing stores on schedule and at acceptable expense levels.
- The Company's ability to negotiate acceptable lease terminations and otherwise to execute its previously announced store closing plans on schedule and at expected expense levels.
- Unexpected changes to the market for the Company's shares and the impact of any future stock repurchases.
- Variations from expected pension-related charges caused by conditions in the financial markets.
- The outcome of litigation, investigations and environmental matters involving the Company, including but not limited to the matters discussed in Note 10 to the Condensed Consolidated Financial Statements.

In addition to the risks referenced above, additional risks are highlighted in the Company's Annual Report on Form 10-K for the year ended February 2, 2008. Forward-looking statements reflect the expectations of the Company at the time they are made, and investors should rely on them only as expressions of opinion about what may happen in the future and only at the time they are made. The Company undertakes no obligation to update any forward-looking statement. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, predictions about future revenue and margin trends are inherently uncertain and the Company may alter its business strategies to address changing conditions.

Overview

Description of Business

The Company is a leading retailer of branded footwear and of licensed and branded headwear, operating 2,228 retail footwear and headwear stores throughout the United States and Puerto Rico including 46 headwear stores in Canada as of November 1, 2008. The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed Dockers® brand to more than 1,000 retail accounts in the United States, including a number of leading department, discount, and specialty stores.

The Company operates five reportable business segments (not including corporate): Journeys Group, comprised of the Journeys, Journeys Kidz and Shi by Journeys retail footwear chains, catalog and e-commerce operations; Underground Station Group, comprised of the Underground Station retail footwear chain and e-commerce operations and the Company’s remaining Jarman retail footwear stores; Hat World Group, comprised primarily of the Hat World, Lids, Hat Shack, Hat Zone, Head Quarters, Cap Connection and Lids Kids retail headwear chains and e-commerce operations; Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, catalog and e-commerce operations and wholesale distribution; and Licensed Brands, comprised primarily of Dockers® Footwear, sourced and marketed under a license from Levi Strauss & Company.

The Journeys retail footwear stores sell footwear and accessories primarily for 13 to 22 year old men and women. The stores average approximately 1,925 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages five to 12. These stores average approximately 1,425 square feet. Shi by Journeys retail footwear stores, the first of which opened in November 2005, sell footwear and accessories to fashion-conscious women in their early 20’s to mid 30’s. These stores average approximately 2,125 square feet.

The Underground Station retail footwear stores sell footwear and accessories primarily for men and women in the 20 to 35 age group and in the urban market. The Underground Station Group stores average approximately 1,775 square feet. In May of 2007, the Company announced a plan to close or convert up to 57 underperforming stores, including 49 Underground Station Group stores, due to the deterioration in the urban market. As of November 1, 2008, the Company had closed 28 of the 49 Underground Station Group stores.

The Hat World Group stores and kiosks sell licensed and branded headwear to men and women primarily in the early-teens to mid-20’s age group. Hat World also operates a number of Lids Kids stores, offering licensed and branded headwear, apparel and accessories to children up to 10 years old, but has no plans to open additional Lids Kids stores. The Hat World Group locations average approximately 775 square feet and are primarily in malls, airports, street level stores and factory outlet centers throughout the United States, Puerto Rico and in Canada.

Johnston & Murphy retail shops sell a broad range of men’s footwear and accessories. These shops average approximately 1,425 square feet and are located primarily in better malls nationwide and in airports. Johnston & Murphy shoes are also distributed through the Company’s wholesale operations to better department and independent specialty stores. In addition, the Company sells Johnston & Murphy footwear and accessories in factory stores, averaging approximately 2,350 square feet, located in factory outlet malls, and through a direct-to-consumer catalog and e-commerce operation.

The Company entered into an exclusive license with Levi Strauss & Co. to market men's footwear in the United States under the Dockers® brand name in 1991. Levi Strauss & Co. and the Company have subsequently added additional territories, including Canada and Mexico. The Dockers license agreement was renewed November 1, 2006. The Dockers license agreement, as amended, expires on December 31, 2009, with a Company option to renew through December 31, 2012, subject to certain conditions. The Company uses the Dockers name to market casual and dress casual footwear to men aged 30 to 55 through many of the same national retail chains that carry Dockers slacks and sportswear and in department and specialty stores across the country.

Strategy

The Company's strategy has been to seek long-term, organic growth by: 1) increasing the Company's store base, 2) increasing retail square footage, 3) improving comparable store sales, 4) increasing operating margin and 5) enhancing the value of its brands. Our future results are subject to various risks, uncertainties and other challenges, including those discussed under the caption "Forward Looking Statements," above and those discussed in Item 1A., "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended February 2, 2008. Additionally, the pace of the Company's growth and the implementation of its long-term strategic plan may be negatively affected by economic conditions.

Generally, the Company attempts to develop strategies to mitigate the risks it views as material, including those discussed in Item 1A, "Risk Factors." Among the most important of these factors are those related to consumer demand. Conditions in the external economy can affect demand, resulting in changes in sales and, as prices are adjusted to drive sales and manage inventories, in gross margins. Because fashion trends influencing many of the Company's target customers (particularly customers of Journeys Group, Underground Station Group and Hat World Group) can change rapidly, the Company believes that its ability to react quickly to those changes has been important to its success. Even when the Company succeeds in aligning its merchandise offerings with consumer preferences, those preferences may affect results by, for example, driving sales of products with lower average selling prices. Moreover, economic factors, such as the current recession, may reduce the consumer's disposable income or his or her willingness to purchase discretionary items, and thus may reduce demand for the Company's merchandise, regardless of the Company's skill in detecting and responding to fashion trends. The Company believes its experience and discipline in merchandising and the buying power associated with its relative size in the industry are important to its ability to mitigate risks associated with changing customer preferences and other reductions in consumer demand. Also important to the Company's long-term prospects are the availability and cost of appropriate locations for the Company's retail concepts. The Company is opening stores in airports and on streets in major cities and tourist venues, among other locations, in an effort to broaden its selection of locations for additional stores beyond the malls that have traditionally been the dominant venue for its retail concepts.

Summary of Operating Results

The Company's net sales increased 4.6% during the third quarter of Fiscal 2009 compared to the third quarter of Fiscal 2008. The increase was driven primarily by a 10% increase in Journeys Group sales, a 6% increase in Hat World Group sales and a 3% increase in Licensed Brands sales, offset by a 10% decrease in Johnston & Murphy Group sales and a 9% decrease in Underground Station Group sales. Gross margin increased as a percentage of net sales during the third quarter of Fiscal 2009, primarily due to margin increases in the Journeys Group, Underground Station Group and Hat World Group. Selling and administrative expenses decreased as a percentage of net sales during the third quarter of Fiscal 2009, reflecting lower merger-related expenses and decreases as a percentage of net sales in the Underground Station Group and Licensed Brands, offset by increases as a percentage of net sales in the Journeys Group and Johnston & Murphy Group. Selling and administrative expenses for the Hat World Group were flat for the third quarter of Fiscal 2009. Last year's third quarter selling and administrative expenses included $6.1 million of merger-related expenses compared to $0.2 million in this year's third quarter. Earnings from operations increased as a percentage of net sales during the third quarter of Fiscal 2009, primarily due to the reduction in merger-related expenses and to an increase in earnings from operations in the Hat World Group as well as a smaller loss in the Underground Station Group, offset by decreased earnings from operations in the Johnston & Murphy Group and Licensed Brands. Earnings from operations as a percentage of net sales in the Journeys Group were flat for the third quarter this year.

Significant Developments

Terminated Merger Agreement

The Company announced in June 2007 that the boards of directors of both Genesco and The Finish Line, Inc. had unanimously approved a definitive merger agreement under which The Finish Line would acquire all of the outstanding common shares of Genesco at $54.50 per share in cash (the "Proposed Merger"). The Finish Line refused to close the Proposed Merger and litigation ensued. The Proposed Merger and related agreement were terminated in March 2008 in connection with an agreement to settle the litigation with The Finish Line and UBS Loan Finance LLC and UBS Securities LLC (collectively, "UBS") for a cash payment of $175.0 million to the Company and a 12% equity stake in The Finish Line, which the Company received in the first quarter of Fiscal 2009. The Company distributed the 12% equity stake, or 6,518,971 shares of Class A Common Stock of The Finish Line Inc., on June 13, 2008, to its common shareholders of record on May 30, 2008, as required by the settlement agreement.

During the third quarter and first nine months of Fiscal 2009, the Company expensed $0.2 million and $7.8 million, respectively, in merger-related litigation costs. During the third quarter and first nine months of Fiscal 2008, the Company expensed $6.1 million and $11.6 million, respectively, in merger-related costs and litigation expenses. The total merger-related costs and litigation expenses for Fiscal 2008 of $27.6 million are tax deductible in Fiscal 2009 and will result in a permanent tax benefit reflected as a component of income tax expense. For additional information, see the "Merger-Related Litigation" section in Note 10.

Restructuring and Other Charges

The Company recorded a pretax charge to earnings of $2.3 million in the third quarter of Fiscal 2009. The charge included $1.9 million in retail store asset impairments and $0.4 million for lease terminations. The Company recorded a pretax charge to earnings of $7.8 million in the first nine months of Fiscal 2009. The charge included $5.5 million in retail store asset impairments, $1.2 million for lease terminations and $1.1 million in other legal matters.

The Company recorded a pretax charge to earnings of $0.1 million in the third quarter of Fiscal 2008. The charge was primarily for retail store asset impairments. The Company recorded a pretax charge to earnings of $6.8 million in the first nine months of Fiscal 2008. The charge included $6.8 million of charges for retail store asset impairments, primarily in the Underground Station Group, and $0.3 million for the lease termination of one Hat World store, offset by a $0.3 million excise tax refund.

Share Repurchase Program

In March 2008, the board authorized up to $100.0 million in stock repurchases primarily funded with the after-tax cash proceeds of the settlement of merger-related litigation with The Finish

Line and UBS (see Notes 2 and 10). The Company repurchased 4.0 million shares at a cost of $90.9 million during the nine months ended November 1, 2008.

Comparable Store Sales

Comparable store sales begin in the fifty-third week of a store's operation. Temporarily closed stores are excluded from the comparable store sales calculation for every full week of the store closing. Expanded stores are excluded from the comparable store sales calculation until the fifty-third week of operation in the expanded format. E-commerce and catalog sales are excluded from comparable store sales calculations.

Results of Operations – Third Quarter Fiscal 2009 Compared to Fiscal 2008

The Company's net sales in the third quarter ended November 1, 2008 increased 4.6% to $389.8 million from $372.5 million in the third quarter ended November 3, 2007. Gross margin increased 5.2% to $197.9 million in the third quarter this year from $188.1 million in the same period last year and increased as a percentage of net sales from 50.5% to 50.8%. Selling and administrative expenses in the third quarter this year increased 3.0% from the third quarter last year but decreased as a percentage of net sales from 46.8% to 46.0%. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Earnings before income taxes from continuing operations ("pretax earnings") for the third quarter ended November 1, 2008 were $13.8, million compared to $10.3 million for the third quarter ended November 3, 2007. Pretax earnings for the third quarter ended November 1, 2008 included restructuring and other charges of $2.3 million, primarily for retail store asset impairments and lease terminations. Pretax earnings for the third quarter of Fiscal 2009 also included $0.2 million in merger-related expenses. Pretax earnings for the third quarter ended November 3, 2007 included restructuring and other charges of $0.1 million, primarily for retail store asset impairments and $6.1 million in merger-related expenses.

Net earnings for the third quarter ended November 1, 2008 were $9.4 million ($0.43 diluted earnings per share) compared to $5.6 million ($0.23 diluted earnings per share) for the third quarter ended November 3, 2007. The Company recorded an effective income tax rate of 31.4% in the third quarter this year compared to 45.5% in the same period last year. The variance in the effective tax rate for the third quarter this year compared to the third quarter last year is attributable to non-deductible expenses incurred in Fiscal 2008 related to the merger agreement with the Finish Line that became deductible upon termination of the merger agreement in Fiscal 2009. In addition, this year's effective tax rate is lower due to a $1.2 million reduction in FIN 48 liabilities from an agreement reached on a state income tax contingency. See "Significant Developments — Terminated Merger Agreement," above.

Journeys Group

	Three Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 200,745**	$ 182,587	9.9%
Earnings from operations	**$ 16,901**	$ 15,336	10.2%
Operating margin	**8.4%**	8.4%	

Net sales from Journeys Group increased 9.9% for the third quarter ended November 1, 2008 compared to the same period last year. The increase reflects primarily an 8% increase in average Journeys Group stores operated (i.e., the sum of the number of stores open on the first day of the fiscal quarter and the last day of each fiscal month during the quarter divided by four) and a 5% increase in comparable store sales. The increase in comparable store sales was primarily due to a 4% increase in average price per pair of shoes, reflecting changes in product mix, and a 2% increase in footwear unit comparable sales. Overall unit sales increased 8% during the same period. Journeys Group operated 1,008 stores at the end of the third quarter of Fiscal 2009, including 137 Journeys Kidz stores and 53 Shi by Journeys stores, compared to 945 stores at the end of the third quarter last year, including 103 Journeys Kidz stores and 40 Shi by Journeys stores.

Journeys Group earnings from operations for the third quarter ended November 1, 2008 increased 10.2% to $16.9 million, compared to $15.3 million for the third quarter ended November 3, 2007. The increase was due to increased net sales and to increased gross margin as a percentage of net sales, reflecting changes in product mix, partially offset by increased expenses as a percentage of net sales. The expense increase reflected increased rent from new stores, lease renewals and relocation from smaller, volume constrained locations to bigger stores in order to offer a broader selection of products, as well as increased bonus accruals based on improved performance.

Underground Station Group

	Three Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 24,266**	$ 26,792	(9.4)%
Loss from operations	**$ (2,234)**	$ (2,930)	23.8%
Operating margin	**(9.2)%**	(10.9)%	

Net sales from the Underground Station Group decreased 9.4% to $24.3 million for the third quarter ended November 1, 2008, from $26.8 million for the same period last year. The decrease reflects a 15% decrease in average Underground Station Group stores operated related to the Company's strategy of closing Jarman stores and the store closing program announced in May 2007 to close or convert up to 49 Underground Station Group stores, offset by a 1% increase in comparable store sales. The increase in comparable store sales reflects an increase of 10% in footwear unit comparable sales, offset by a 4% decline in the average price per pair of shoes, reflecting changes in product mix partially due to more women's and children's products. Unit sales decreased 3% during the quarter reflecting the decrease in average stores in operation. Underground Station Group operated 184 stores at the end of the third quarter of Fiscal 2009, including 171 Underground Station stores, compared to 215 stores at the end of the third quarter last year, including 193 Underground Station stores.

Underground Station Group's loss from operations for the third quarter ended November 1, 2008 improved to $(2.2) million from $(2.9) million in the third quarter ended November 3, 2007. The improvement was due to increased gross margin as a percentage of net sales, reflecting changes in product mix, and to decreased expenses as a percentage of net sales from store closings and lower selling salaries.

Hat World Group

	Three Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 93,131**	$ 87,815	6.1%
Earnings from operations	**$ 6,721**	$ 4,639	44.9%
Operating margin	**7.2%**	5.3%	

Net sales from Hat World Group increased 6.1% for the third quarter ended November 1, 2008 compared to the same period last year, reflecting primarily a 4% increase in average stores operated and a 2% increase in comparable store sales. The comparable store sales increase reflected positive comparable store sales in both urban and non-urban markets and strength in fashion-oriented Major League Baseball products and branded action headwear. Hat World Group operated 879 stores at the end of the third quarter of Fiscal 2009, including 46 stores in Canada and 14 Lids Kids stores, compared to 856 stores at the end of the third quarter last year, including 32 stores in Canada and 14 Lids Kids stores.

Hat World Group earnings from operations for the third quarter ended November 1, 2008 increased 44.9% to $6.7 million compared to $4.6 million for the third quarter ended November 3, 2007. The increase was due to increased net sales and increased gross margin as a percentage of net sales, primarily reflecting fewer off-priced sales. Expenses as a percentage of net sales for Hat World Group were flat for the third quarter this year.

Johnston & Murphy Group

	Three Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 41,785**	$ 46,403	(10.0)%
Earnings from operations	**$ 1,525**	$ 4,377	(65.2)%
Operating margin	**3.6%**	9.4%	

Johnston & Murphy Group net sales decreased 10.0% to $41.8 million for the third quarter ended November 1, 2008 from $46.4 million for the third quarter ended November 3, 2007, reflecting primarily a 15% decrease in comparable store sales and a 2% decrease in Johnston & Murphy wholesales sales, offset by a 1% increase in average stores operated for Johnston & Murphy retail operations. Unit sales for the Johnston & Murphy wholesale business were down 5% in the third quarter of Fiscal 2009, while the average price per pair of shoes increased 4% for the same period.

Retail operations accounted for 69.4% of Johnston & Murphy Group segment sales in the third quarter this year, down from 71.9% in the third quarter last year. The average price per pair of shoes for Johnston & Murphy retail operations decreased 2% (2% in the Johnston & Murphy shops) in the third quarter this year, primarily due to increased markdowns and changes in product mix, and footwear unit comparable sales decreased 16% during the same period. The store count for Johnston & Murphy retail operations at the end of the third quarter of Fiscal 2009 included 157 Johnston & Murphy shops and factory stores compared to 156 Johnston & Murphy shops and factory stores at the end of the third quarter of Fiscal 2008.

Johnston & Murphy Group earnings from operations for the third quarter ended November 1, 2008 decreased 65.2% to $1.5 million compared to $4.4 million for the same period last year, primarily due to decreased net sales, decreased gross margin as a percentage of net sales, reflecting increased markdowns and changes in product mix, and to increased expenses as a percentage of net sales, reflecting negative leverage from the decrease in comparable store sales.

Licensed Brands

	Three Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 29,649**	$ 28,769	3.1%
Earnings from operations	**$ 3,892**	$ 4,019	(3.2)%
Operating margin	**13.1%**	14.0%	

Licensed Brands’ net sales increased 3.1% to $29.6 million for the third quarter ended November 1, 2008, from $28.8 million for the third quarter ended November 3, 2007. The sales increase reflects an 11% increase in sales of Dockers Footwear, offset by lower sales from a new line of footwear introduced in the third quarter last year that the Company is sourcing under a different brand exclusively for Kohl’s department stores. The 11% increase in sales of Dockers Footwear was due to the introduction of a new product line and initial shipments to a new customer. Unit sales for Dockers Footwear increased 6% for the third quarter this year and the average price per pair of shoes increased 5% compared to the same period last year.

Licensed Brands’ earnings from operations for the third quarter ended November 1, 2008 decreased 3.2% from the third quarter ended November 1, 2007, primarily due to decreased gross margin as a percentage of net sales, offset by decreased expenses as a percentage of net sales. The decline in gross margin percentage was primarily due to mix changes and increased product cost.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the third quarter ended November 1, 2008 were $10.5 million compared to $11.6 million for the third quarter ended November 3, 2007. Corporate expenses in the third quarter this year included $2.3 million in restructuring and other charges, primarily for retail store asset impairments and lease terminations and $0.2 million in merger-related litigation costs. Last year’s third quarter included $6.1 million in merger-related expenses and litigation costs and $0.1 million in restructuring and other charges, primarily for retail store asset impairments.

Interest expense decreased 29.2%, from $3.5 million in the third quarter ended November 3, 2007, to $2.5 million for the third quarter ended November 1, 2008, due to the cash received from the merger-related litigation settlement and improved operating cash flow, which decreased average revolver borrowings from $95.3 million for the third quarter ended November 3, 2007 to $22.6 million for the third quarter this year. Interest income decreased to $29,000 for the third quarter ended November 1, 2008 from $40,000 for the same period last year.

Results of Operations – Nine Months Fiscal 2009 Compared to Fiscal 2008

The Company’s net sales in the nine months ended November 1, 2008 increased 6.3% to $1.10 billion from $1.04 billion in the nine months ended November 3, 2007. Gross margin increased 7.1% to $560.6 million in the first nine months of this year from $523.5 million in the same period last year and increased as a percentage of net sales from 50.6% to 51.0%. Selling and administrative expenses in the first nine months this year increased 6.7% from the first nine months last year and increased as a percentage of net sales from 48.2% to 48.4%. The first nine months of this year includes $7.8 million of merger-related litigation expenses in connection with the terminated merger with The Finish Line, while the first nine months of last year included $11.6 million of merger-related expenses. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Earnings before income taxes from continuing operations (“pretax earnings”) for the nine months ended November 1, 2008 were $217.3 million, compared to $8.5 million for the nine months ended November 3, 2007. Pretax earnings for the nine months ended November 1, 2008 included a gain of $204.1 million from the settlement of merger-related litigation with The Finish Line and UBS and restructuring and other charges of $7.8 million primarily for retail store asset impairments, lease terminations and other legal matters. Pretax earnings for the nine months ended November 1, 2008 also included $7.8 million in merger-related expenses. Pretax earnings for the nine months ended November 3, 2007 included restructuring and other charges of $6.8 million, primarily for retail store asset impairments in underperforming urban stores in the Underground Station Group and to the lease termination of one Hat World store offset by an excise tax refund. Pretax earnings for the nine months ended November 3, 2007 also included $11.6 million in merger-related expenses.

Net earnings for the nine months ended November 1, 2008 were $128.9 million ($5.41 diluted earnings per share) compared to $3.6 million ($0.15 diluted earnings per share) for the nine months ended November 3, 2007. Net earnings for the nine months ended November 1, 2008 included a $5.5 million ($0.23 diluted loss per share) charge to earnings (net of tax) primarily for an environmental liability relating to settlement negotiations with the Environmental Protection Agency concerning the site of a factory in New York, which the Company operated in the late 1960’s. Net earnings for the nine months ended November 3, 2007 included a $1.2 million ($0.05 diluted loss per share) charge to earnings (net of tax) primarily for additional environmental remediation costs. The Company recorded an effective income tax rate of 38.1% in the first nine months this year compared to 42.5% in the same period last year. The variance in the effective tax rate for the first nine months this year compared to the first nine months last year is attributable to the deduction of prior period merger-related expenses that became deductible upon termination of the Finish Line merger agreement this year offset by an income tax liability recorded as a result of the increase in value of the shares of common stock received in the settlement of litigation with The Finish Line that had no corresponding recording of income in the financial statements. In addition, this year’s effective tax rate is lower due to a $1.2 million reduction in FIN 48 liabilities from an agreement reached on a state income tax contingency. Last year’s effective tax rate reflected the then non-deductibility of the merger-related expenses.

Table of Contents

Journeys Group

	Nine Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 530,467**	$ 486,599	9.0%
Earnings from operations	**$ 24,587**	$ 27,136	(9.4)%
Operating margin	**4.6%**	5.6%	

Net sales from Journeys Group increased 9.0% for the first nine months ended November 1, 2008 compared to the same period last year. The increase reflects primarily a 10% increase in average Journeys Group stores operated (i.e., the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the nine months divided by ten) and a 3% increase in comparable store sales. The increase in comparable store sales was primarily due to a 2% increase in footwear unit comparable sales and a 1% increase in average price per pair of shoes, reflecting changes in product mix. Unit sales increased 10% during the same period.

Journeys Group earnings from operations for the nine months ended November 1, 2008 decreased 9.4% to $24.6 million, compared to $27.1 million for the nine months ended November 3, 2007. The decrease was due to increased expenses as a percentage of net sales. The expense increase reflected increased rent from new stores, lease renewals and relocation from smaller, volume constrained locations to bigger stores in order to offer a broader selection of products, as well as increased bonus accruals based on improved performance.

Underground Station Group

	Nine Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 76,867**	$ 81,122	(5.2)%
Loss from operations	**$ (6,253)**	$ (9,991)	37.4%
Operating margin	**(8.1)%**	(12.3)%	

Net sales from the Underground Station Group decreased 5.2% to $76.9 million for the nine months ended November 1, 2008, from $81.1 million for the same period last year. The decrease reflects a 15% decrease in average Underground Station Group stores operated related to the Company’s strategy of closing Jarman stores and the store closing program announced in May 2007 to close or convert up to 49 Underground Station Group stores, offset by a 7% increase in comparable store sales. The increase in comparable store sales reflects an increase of 12% in footwear unit comparable sales, offset by a 3% decline in the average price per pair of shoes, reflecting changes in product mix in part due to more women’s and children’s products. Unit sales decreased 2% during the same period reflecting the decrease in average stores in operation.

Underground Station Group loss from operations for the first nine months ended November 1, 2008 improved to $(6.3) million from $(10.0) million in the first nine months ended November 3, 2007. The improvement was due to decreased expenses as a percentage of net sales from store closings and leverage in store-related expenses from positive comparable store sales and to increased gross margin as a percentage of net sales, reflecting changes in product mix.

Hat World Group

	Nine Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 283,037**	$ 257,119	10.1%
Earnings from operations	**$ 21,900**	$ 14,709	48.9%
Operating margin	**7.7%**	5.7%	

Net sales from Hat World Group increased 10.1% for the nine months ended November 1, 2008 compared to the same period last year, reflecting primarily a 6% increase in average stores operated and a 4% increase in comparable store sales. The comparable store sales increase reflected positive comparable store sales in both urban and non-urban markets and strength in fashion-oriented Major League Baseball products and branded action headwear.

Hat World Group earnings from operations for the nine months ended November 1, 2008 increased 48.9% to $21.9 million compared to $14.7 million for the nine months ended November 3, 2007. The increase was due to increased net sales, increased gross margin as a percentage of net sales, primarily reflecting fewer off-priced sales and increased discounts and to a decrease in expenses as a percentage of net sales from leverage in store-related expenses due to positive comparable store sales.

Johnston & Murphy Group

	Nine Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 132,370**	$ 138,354	(4.3)%
Earnings from operations	**$ 8,202**	$ 12,459	(34.2)%
Operating margin	**6.2%**	9.0%	

Johnston & Murphy Group net sales decreased 4.3% to $132.4 million for the nine months ended November 1, 2008 from $138.4 million for the nine months ended November 3, 2007, reflecting primarily a 7% decrease in comparable store sales and a 2% decrease in Johnston & Murphy wholesale sales, offset by a 3% increase in average stores operated for Johnston & Murphy retail operations. Unit sales for the Johnston & Murphy wholesale business decreased 6% in the first nine months of Fiscal 2009, while the average price per pair of shoes increased 4% for the same period. Retail operations accounted for 72.0% of Johnston & Murphy Group segment sales in the first nine months this year, down from 72.7% in the first nine months last year. The average price per pair of shoes for Johnston & Murphy retail operations decreased 1% (increased 1% in the Johnston & Murphy shops) in the first nine months this year, primarily due to changes in product mix and increased markdowns, while footwear unit comparable sales decreased 9% during the same period.

Johnston & Murphy Group earnings from operations for the nine months ended November 1, 2008 decreased 34.2% to $8.2 million compared to $12.5 million for the same period last year, primarily due to decreased net sales and to increased expenses as a percentage of net sales, reflecting negative leverage from the decrease in comparable store sales.

[Table of Contents](#)

Licensed Brands

	Nine Months Ended		
	November 1, 2008	November 3, 2007	% Change
	(dollars in thousands)		
Net sales	**$ 76,542**	$ 71,357	7.3%
Earnings from operations	**$ 9,538**	$ 9,193	3.8%
Operating margin	**12.5%**	12.9%	

Licensed Brands' net sales increased 7.3% to $76.5 million for the nine months ended November 1, 2008, from $71.4 million for the nine months ended November 3, 2007. The sales increase reflects an 8% increase in sales of Dockers Footwear. Unit sales for Dockers Footwear increased 6% for the first nine months this year and the average price per pair of shoes increased 1% compared to the same period last year.

Licensed Brands' earnings from operations for the nine months ended November 1, 2008 increased 3.8% from $9.2 million for the nine months ended November 3, 2007 to $9.5 million, primarily due to increased net sales and to decreased expenses as a percentage of net sales.

Corporate, Interest Expenses and Other Charges

Corporate and other for the nine months ended November 1, 2008 was income of $166.1 million compared to an expense of $36.1 million for the nine months ended November 3, 2007. The corporate income in the first nine months this year included a $204.1 million gain from the settlement of merger-related litigation offset by $7.8 million in restructuring and other charges, primarily for retail store asset impairments, lease terminations and other legal matters and $7.8 million in merger-related expenses. Last year' nine months ended November 3, 2007 included $6.8 million in restructuring and other charges, primarily for retail store asset impairments in underperforming urban stores in the Underground Station Group and the lease termination of one Hat World store offset by an excise tax refund and $11.6 million in merger-related expenses.

Interest expense decreased 21.3%, from $9.0 million in the nine months ended November 3, 2007, to $7.1 million for the nine months ended November 1, 2008, due to the cash received from the merger-related litigation settlement and improved operating cash flow, which decreased average revolver borrowings from $58.0 million for the nine months ended November 3, 2007 to $19.2 million for the first nine months this year. Interest income increased $0.2 million to $0.3 million for the nine months ended November 1, 2008 due to the increase in average short-term investments as a result of the proceeds from the settlement of merger-related litigation.

Liquidity and Capital Resources

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

	November 1, 2008	February 2, 2008	November 3, 2007
		(dollars in millions)	
Cash and cash equivalents	**$ 16.0**	$ 17.7	$ 18.0
Working capital	**$ 238.6**	$ 238.1	$ 295.0
Long-term debt	**$ 135.9**	$ 155.2	$ 215.2

Working Capital

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

Cash provided by operating activities was $142.3 million in the first nine months of Fiscal 2009 compared to cash used in operations of $30.9 million in the first nine months of Fiscal 2008. The $173.2 million increase in cash flow from operating activities from last year reflects primarily the receipt of cash proceeds of the merger-related litigation settlement and changes in inventory, prepaids and other current assets, other assets and liabilities and other accrued liabilities of $55.9 million, $17.3 million, $7.5 million and $6.1 million, respectively, offset by a decrease in cash flow from changes in accounts payable and accounts receivable of $6.8 million and $2.2 million, respectively. The $55.9 million increase in cash flow from inventory reflected efforts to reduce inventory in order to align inventory growth with sales growth. The $17.3 million increase in cash flow from prepaids and other current assets reflects the Company not being in a prepaid income tax position this year due to the merger-related settlement gain. The $7.5 million increase in cash flow from other assets and liabilities reflects primarily a $6.0 million increase in FIN 48 liabilities primarily related to the settlement agreement. The $6.1 million increase in cash flow from other accrued liabilities was due to increased accrued income taxes as a result of the $204.1 million gain from the merger-related litigation settlement offset by a $47.7 million increase in income taxes paid in the first nine months this year compared to the first nine months last year. The $6.8 million decrease in cash flow from accounts payable reflected changes in buying patterns, including actions taken to reduce inventory, and payment terms negotiated with individual vendors. The $2.2 million decrease in cash flow from accounts receivable reflected increased wholesale accounts receivable due to increased wholesale sales.

The $79.1 million increase in inventories at November 1, 2008 from February 2, 2008 levels reflects seasonal increases in retail inventory and inventory purchased to support the net increase of 53 stores in the first nine months this year.

Accounts receivable at November 1, 2008 increased $7.4 million compared to February 2, 2008, primarily reflecting increased wholesale accounts receivable due to increased wholesale sales.

Cash provided (or used) due to changes in accounts payable and accrued liabilities is as follows:

	Nine Months Ended	
	November 1, 2008	November 3, 2007
	(in thousands)	
Accounts payable	**$ 72,514**	$ 79,313
Accrued liabilities	**(3,297)**	(9,422)
	$ 69,217	$ 69,891

The fluctuations in cash provided due to changes in accounts payable for the first nine months this year from the first nine months last year are due to changes in buying patterns, including actions taken to reduce inventory, and payment terms negotiated with individual vendors. The change in cash provided due to changes in accrued liabilities for the first nine months this year from the first nine months last year was due primarily to increased accrued income taxes as a result of the $204.1 million gain from the merger-related litigation settlement offset by a $47.7 million increase in income taxes paid in the first nine months this year compared to the first nine months last year.

Revolving credit borrowings decreased to an average of $19.2 million during the nine months ended November 1, 2008 from an average of $58.0 million during the nine months ended November 3, 2007. The reduction in average borrowings was due to cash received in the first quarter of Fiscal 2009 from the merger-related litigation settlement. The Company funded its seasonal working capital requirements and its capital expenditures in the nine months ended November 1, 2008 from the cash proceeds of the settlement.

The Company’s contractual obligations over the next five years have increased from February 2, 2008. Purchase obligations increased to $285 million from $204 million due to seasonal increases in purchases of retail inventory, offset by a reduction in operating lease obligations and long-term debt. Operating lease obligations decreased to $1.0 billion from $1.1 billion as a result of payments and slower growth of opening new stores this year versus last year. Long-term debt decreased to $135.9 million from $155.2 million as a result of using some of the proceeds received from the settlement of merger-related litigation to pay off revolver borrowings of $19.3 million.

Capital Expenditures

Total capital expenditures in Fiscal 2009 are expected to be approximately $54.4 million. These include expected retail capital expenditures of $48.9 million to open approximately 16 Journeys stores, 26 Journeys Kidz stores, 7 Shi by Journeys stores, 10 Johnston & Murphy shops and factory stores and 43 Hat World Group stores including 16 stores in Canada and to complete 155 major store renovations. The amount of capital expenditures in Fiscal 2009 for other purposes is expected to be approximately $5.5 million, including approximately $2.2 million for new systems to improve customer service and support the Company’s growth.

Future Capital Needs

The Company expects that cash on hand and cash provided by operations will be sufficient to support seasonal working capital requirements and capital expenditures, although the Company plans to borrow under its revolving credit facility to support seasonal working capital requirements during Fiscal 2009. The approximately $10.0 million of costs associated with discontinued operations that are expected to be paid during the next twelve months are expected to be funded from cash on hand and borrowings under the revolving credit facility during Fiscal 2009.

There were $11.1 million of letters of credit and $49.7 million in revolver borrowings outstanding under the revolving credit facility at November 1, 2008. Net availability under the facility was $139.2 million. The Company is not required to comply with any financial covenants under the facility unless Adjusted Excess Availability (as defined in the Amended and Restated Credit Agreement) is less than 10% of the total commitments under the credit facility (currently $20.0 million). If and during such time as Adjusted Excess Availability is less than such amount, the credit facility requires the Company to meet a minimum fixed charge coverage ratio (EBITDA less capital expenditures less cash taxes divided by cash interest expense and scheduled payments of principal indebtedness) of 1.0 to 1.0. Adjusted Excess Availability was $139.2 million at November 1, 2008. Because Adjusted Excess Availability exceeded $20.0 million, the Company was not required to comply with this financial covenant at November 1, 2008.

The credit facility prohibits the payment of dividends and other restricted payments (including stock repurchases) unless after such dividend or restricted payment (i) availability is between $30.0 million and $50.0 million, the fixed charge coverage is greater than 1.0 to 1.0 or (ii) availability under the credit facility exceeds $50.0 million. The Company’s management does not expect availability under the Credit Facility to fall below $50.0 million during Fiscal 2009.

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 $198,000.

Common Stock Repurchases

In March 2008, the board authorized up to $100.0 million in stock repurchases primarily funded with the after-tax cash proceeds of the settlement of merger-related litigation with The Finish Line and UBS. The Company repurchased 4.0 million shares at a cost of $90.9 million during the nine months ended November 1, 2008.

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 10 to the Company’s Condensed Consolidated Financial Statements. The Company has made pretax accruals for certain of these contingencies, including approximately $0.1 million in each of the third quarters of Fiscal 2009 and Fiscal 2008 and $9.3 million and $2.2 million for the first nine months of Fiscal 2009 and Fiscal 2008, respectively. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Earnings. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company’s reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a reasonable estimate of the probable loss connected to the proceeding, or in cases in which no reasonable estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves may not be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company’s financial condition or results of operations.

Financial Market Risk

The following discusses the Company's exposure to financial market risk related to changes in interest rates and foreign currency exchange rates.

Outstanding Debt of the Company – The Company's outstanding long-term debt of $86.2 million 4 1/8% Convertible Subordinated Debentures due June 15, 2023 bears interest at a fixed rate. Accordingly, there would be no immediate impact on the Company's interest expense due to fluctuations in market interest rates.

Cash and Cash Equivalents – The Company's cash and cash equivalent balances are invested in financial instruments with original maturities of three months or less. The Company does not have significant exposure to changing interest rates on invested cash at November 1, 2008. As a result, the Company considers the interest rate market risk implicit in these investments at November 1, 2008 to be low.

Foreign Currency Exchange Rate Risk — 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. At November 1, 2008, the Company had $1.5 million of forward foreign exchange contracts for Euro. The Company's policy is not to speculate in derivative instruments for profit on the exchange rate price fluctuation and it does not hold any derivative instruments for trading purposes. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. The unrealized loss on contracts outstanding at November 1, 2008 was $0.2 million based on current spot rates. As of November 1, 2008, a 10% adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts by approximately $0.1 million.

Accounts Receivable – The Company's accounts receivable balance at November 1, 2008 is concentrated in its two wholesale businesses, which sell primarily to department stores and independent retailers across the United States. One customer accounted for 16% and no other customer accounted for more than 9% of the Company's trade receivables balance as of November 1, 2008. The Company monitors the credit quality of its customers and establishes an allowance for doubtful accounts based upon factors surrounding credit risk of specific customers, historical trends and other information, as well as other customer specific factors; however, credit risk is affected by conditions or occurrences within the economy and the retail industry, as well as company-specific information.

Summary – Based on the Company's overall market interest rate and foreign currency rate exposure at November 1, 2008, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates or foreign currency exchange rates on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2009 would not be material.

New Accounting Principles

The Company adopted SFAS No. 157, "Fair Value Measurements," ("SFAS No. 157") as of February 3, 2008, with the exception of the application of the statement of non-recurring, nonfinancial assets and liabilities. The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial position. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-b. FSP 157-b amended SFAS No. 157, to delay the effective date for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually). FSP 157-b defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 (Fiscal 2010 for the Company), and interim periods within those fiscal years for items within the scope of the FSP. See Note 6 for additional information.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option of Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 allows companies to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company adopted SFAS No. 159 as of February 3, 2008 and did not elect the fair value option to measure certain financial instruments. Accordingly, the adoption of SFAS No. 159 did not have a material impact on the Company's results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – An Amendment of SFAS No. 133." SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008 (Fiscal 2010 for the Company). The Company does not believe the adoption of SFAS 161 will have a material impact on its results of operations or financial position.

In May 2008, the FASB issued FSP APB 14-1, "Accounting for Convertible Debt Instruments That May be Settled in Cash Upon Conversion, (including partial cash settlement)," ("FSP APB 14-1"). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 (Fiscal 2010 for the Company), and interim periods within those fiscal years. The Company is currently evaluating the impact that the adoption of FSP APB 14-1 will have on its results of operations and financial position.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company incorporates by reference the information regarding market risk appearing under the heading "Financial Market Risk" in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

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

Based on their evaluation as of November 1, 2008, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within time periods specified in SEC rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting.

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company incorporates by reference the information regarding legal proceedings in Note 10 of the Company's Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended February 2, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total of Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in thousands)
August 2008				
8-3-08 to 8-30-08	-0-	-0-	-0-	$ -0-
September 2008				
8-31-08 to 9-27-08	-0-	-0-	-0-	-0-
October 2008(1)				
9-28-08 to 11-1-08	52,516	$21.61	-0-	-0-

(1) These shares represent shares withheld from vested restricted stock to satisfy the minimum withholding requirement for federal and state taxes.

Item 5. Other Information

On December 10, 2008, Genesco Inc. (the “Company”) entered into indemnification agreements with Robert J. Dennis, James S. Gulmi and Roger G. Sisson pursuant to authorization by its board of directors to enter into such agreements with all officers of the Company. The Company intends to enter into identical agreements with its remaining officers, including Jonathan D. Caplan, John W. Clinard, James C. Estepa, Kenneth J. Kocher, Hal N. Pennington, Mimi Eckel Vaughn and Paul D. Williams, as soon as practicable. The indemnification agreements supersede any existing or prior agreements between the Company and the officers pertaining to indemnification and advancement rights and supplement those provisions contained in the Company’s bylaws.

The indemnification agreements require the Company, among other things, to indemnify each indemnitee, subject to certain limitations, to the fullest extent permitted by law for certain expenses and liabilities incurred in a proceeding by reason of (or arising in part out of) indemnitee’s service to the Company. The indemnification agreements also provide for the advancement of certain expenses to the indemnitee by the Company. The foregoing is qualified in its entirety by reference to the form of officer indemnification agreement attached hereto as Exhibit 10.2, which is incorporated herein by this reference.

Item 6. Exhibits

Exhibits

(10.1) Form of Non-Executive Director Indemnification Agreement. Incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed November 3, 2008 (File No. 1-3083).

(10.2) Form of Officer Indemnification Agreement.

(31.1) Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(31.2) Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(32.1) Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(32.2) Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

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

Genesco Inc.

By: /s/ James S. Gulmi
James S. Gulmi
Senior Vice President -
Finance and Chief Financial Officer

Date: December 9, 2008

Exhibit 10.2

AGREEMENT

This Agreement is made this __________ day of __________, 2008, between Genesco Inc., a Tennessee corporation (the "Company"), and __________, an officer of the Company (the "Officer").

WHEREAS, the Company and the Officer are aware of the increased exposure to litigation by officers of publicly-owned companies in the course of exercising their duties;

WHEREAS, the Company and the Officer are also aware of conditions in the insurance industry that have affected the Company's ability to obtain adequate directors' and officers' liability insurance coverage on an economically acceptable basis;

WHEREAS, the Company desires to continue to benefit from the services of highly-qualified and experienced persons such as the Officer;

WHEREAS, the Tennessee Business Corporation Act (the "Act") and the bylaws of the Company provide for the indemnification of officers under certain circumstances;

WHEREAS, the Company and the Officer recognize the potential inadequacy of the protection available to officers under the Act, the Company's bylaws and directors' and officers' liability insurance; and

WHEREAS, the Act and bylaws specifically provide that the indemnification provided thereunder is not exclusive;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereby agree as follows:

Section 1. **Service by Officer**. The Officer agrees to continue to serve as an Officer of the Company, provided that, subject to the terms and conditions of the Officer's employment protection agreement, the Officer or the Company may terminate the Officer's employment at any time and for any reason.

Section 2. **Indemnification**. To the maximum extent permitted by law, subject to the limitations contained in Section 4 or otherwise in this Agreement, the Company shall indemnify the Officer against any Liability or Expense incurred in a Proceeding by reason of (or arising in part out of) an Indemnifiable Event, except that the Company shall not be required to indemnify the Officer for any Liability or Expenses incurred in a Proceeding initiated by or on behalf of the Officer or to which the Officer voluntarily becomes a party unless (i) the Company has joined in or the board of directors has consented to the initiation of such Proceeding; (ii) the Proceeding is one to enforce indemnification rights; or (iii) the Proceeding is instituted after a Change in Control. If the Officer is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Liability or Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Officer for the portion thereof to which the Officer is entitled.

Notwithstanding any other provision of this Agreement, to the extent that the Officer has been successful on the merits in defense of any Proceeding relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, the Officer shall be indemnified against all Liabilities and Expenses actually and reasonably incurred by the Officer or on the Officer's behalf in connection therewith.

Section 3. **Expense Advances**. If so requested by the Officer, the Company shall advance the reasonable Expenses incurred by the Officer in a Proceeding by reason of (or arising in part out of) an Indemnifiable Event, except that the Company shall not be required to advance Expenses to the Officer incurred in a Proceeding initiated by or on behalf of the Officer or to which the Officer voluntarily becomes a party unless (i) the Company has joined in or the board of directors has consented to the initiation of such Proceeding; (ii) the Proceeding is one to enforce indemnification rights; or (iii) the Proceeding is instituted after a Change in Control. Expense advancements shall be provided within thirty (30) calendar days of the Officer furnishing the Company a request of such advance or advances, and: (a) a written affirmation, personally signed by or on behalf of the Officer, of his good faith belief that he conducted himself in good faith and in the reasonable belief that his conduct was in the Company's best interest if he was acting in his official capacity, or in all other cases not opposed to the Company's best interests, and in the case of a criminal proceeding, had no reasonable cause to believe his conduct was unlawful; and (b) a written undertaking (in the form of an unlimited general obligation of the Officer, which need not be secured), personally signed by or on behalf of the Officer to repay any advances, if a judgment or final adjudication adverse to the Officer establishes his liability contrary to his affirmation. Such advances are deemed to be an obligation of the Company to the Officer hereunder and shall in no event be deemed a personal loan.

Section 4. **Limitations on Indemnification**. No indemnification pursuant to this Agreement may be made (a) in advance of a final disposition of the Proceeding for which indemnification is sought, (b) for any Liability or Expenses for which the Officer has been reimbursed by insurance or otherwise or (c) if a judgment or other final adjudication adverse to the Officer establishes that he did not conduct himself in good faith and in the reasonable belief that his conduct was in the Company's best interest if he was acting in his official capacity, or in all other cases not opposed to the Company's best interests, and in the case of a criminal proceeding, had no reasonable cause to believe his conduct was unlawful or his liability for profits made from the purchase or sale by the Officer of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar provisions of any federal or state statutes or regulations. A settlement without the Company's prior written consent shall not be deemed a final disposition, and no indemnification for any amount paid in such a settlement may be made under this Agreement.

Section 5. **Non-Exclusive Rights**. The Officer's rights to indemnification and advancement of expenses under this Agreement are intended to be cumulative and not exclusive of other rights to which the Officer may be entitled under any insurance policy, the Act or bylaws of the Company or a resolution of shareholders or directors providing for indemnification. The Officer's right to indemnification as provided in Sections 2 and 3 of this Agreement are intended to be greater than those which are otherwise provided for in the Act and in excess of those provided in the

Company’s bylaws, notwithstanding the Officer’s failure to meet the standard of conduct required for permissive indemnification under the Act.

Section 6. **Liability Insurance**. The Company currently has in force policies of directors’ and officers’ liability insurance (“Liability Insurance”). The Company agrees to furnish to the Officer copies of such Liability Insurance policies upon his request. The Company further agrees that, so long as the Officer shall continue to serve as an officer of the Company, the Company will, subject to the limitations set forth below, endeavor to purchase and maintain in force for the benefit of the Officer one or more policies of Liability Insurance providing coverage at least comparable to that provided under the policies currently in force and in no event less than that provided for the benefit of any other officer. The Company shall not be required to maintain such Liability Insurance in force if, in the sole judgment of the board of directors of the Company serving at the time such judgment is made, Liability Insurance is not reasonably available, the cost of such insurance is disproportionate to the amount of the coverage or such insurance is so limited that there is an insufficient benefit from such insurance.

Section 7. **Notification and Defense of Claim**. If a claim is made against the Company with respect to any Proceeding under this Agreement, the Officer shall notify the Company of the commencement of such Proceeding promptly after receipt by the Officer of notice of the commencement thereof. With respect to any such Proceeding as to which the Officer notifies the Company of the commencement thereof, (i) the Company shall be entitled to participate therein at its own expense and (ii) except as otherwise provided below, shall be entitled to assume the defense thereof, with counsel reasonably satisfactory to the Officer. After notice from the Company to the Officer of its election to assume the defense thereof, the Company shall not be liable to the Officer under this Agreement for any legal expenses subsequently incurred by the Officer in connection with the defense thereof. The Officer shall have the right to employ his own counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Officer, unless (i) the employment of such counsel by the Officer has been authorized by the Company, (ii) the Officer shall have reasonably concluded that there may be a conflict of interest between the Company and the Officer in the conduct of his defense in such Proceeding or (iii) the Company shall have failed to promptly employ its counsel to assume the defense in such Proceeding, in each of which cases the fees and expenses of the Officer’s counsel shall be paid by the Company. The Company shall not be entitled to assume the defense in any Proceeding brought by or on behalf of the Company as to which the Officer shall have reasonably concluded that there may be a conflict of interest between the Company and the Officer in the conduct of his defense.

Section 8. **Settlement**. The Company shall not settle any claim in any manner which would impose any penalty or any injunctive relief restricting the activities of the Officer without the Officer’s written consent. The Officer shall not unreasonably withhold his consent to any proposed settlement which does not impose a fine or injunctive relief, if the Company pays all amounts due under such settlement immediately upon such settlement becoming effective.

Section 9. **Cooperation of Officer**. The Officer shall cooperate with the person or persons making the determination on behalf of the Company with respect to the Officer’s entitlement to indemnification under this Agreement, including providing any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Officer and relevant to such determination.

Section 10. **Certain Presumptions and Burden of Proof**. If the person or persons making such determination on behalf of the Company with respect to the Officer's entitlement to indemnification or advancement of Expenses shall not have reached a decision within sixty (60) days after receipt by the Company of the Officer's request therefor, the Officer shall be deemed to be entitled thereto; provided, however, such sixty-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person or persons making the determination decide in good faith that additional time is required for obtaining or evaluating documentation or other relevant information. In any suit by the Officer to enforce his rights under this Agreement, (i) the Officer shall be presumed to be entitled to indemnification, subject to the Company's ability to rebut such presumption, and (ii) the termination of a proceeding by a judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the Officer did not act in good faith, did not meet a particular standard of conduct, did not have any particular belief, or that a court has determined that indemnification is not permitted by applicable law. For purposes of any determination of good faith, the Officer shall be presumed to have acted in good faith, if he relied on information, opinions, reports or statements, including financial statements or other financial data prepared or presented by one or more officers or employees of the Company whom the Officer reasonably believes to be reliable and competent in the matters presented or by legal counsel, public accountants or other persons as to matters the Officer reasonably believes are within the person's professional or expert competence; provided, however, the Officer shall not be presumed to be acting in good faith, if he has actual knowledge concerning the matter in question that makes such reliance unwarranted. An officer's conduct with respect to an employee benefit plan for a purpose he reasonably believes to be in the interest of the participants in, and beneficiaries of, the plan is conduct not opposed to the Company's best interests.

Section 11. **Letter of Credit**. Unless to do so would constitute a breach of any loan agreement or indenture or any other material agreement binding on the Company, upon the occurrence of a Change in Control of the Company, the Company, upon written request of an Officer then involved in a Proceeding, shall obtain an irrevocable standby letter of credit naming the Officer as the sole beneficiary in an appropriate amount to cover the estimated Expenses of fully contesting such Proceeding which are to be advanced to the Officer hereunder, but not less than $500,000, issued by a bank or other financial institution having assets in excess of $100,000,000 and containing terms and conditions reasonably satisfactory to the Officer (the "Letter of Credit"). The Letter of Credit shall provide that the Officer may from time to time draw amounts thereunder to pay such Expenses as incurred upon presentation to the issuer thereof of (i) copies of the Officer's written affirmations and written undertaking and the written opinion of his counsel required under Section 3 above and (ii) a written certification personally signed by or on behalf of the Officer that the Officer has made demand upon the Company for the amount he is seeking under the Letter of Credit and that the Company has refused to pay such amount to the Officer and that the Officer believes in good faith that he is entitled to such amount under the terms of this Agreement. Once the Company has obtained the Letter of Credit required by this Section 11, the Company shall renew the Letter of Credit or obtain a substitute letter of credit meeting the criteria specified above so that the Letter of Credit shall always have at least one year of its term remaining.

Section 12. **Contribution**. If full indemnification as provided in Section 2 hereof may not be paid to the Officer because such indemnification is prohibited by law, then in any Proceeding in which the Company is jointly liable with the Officer (or would be if joined in such Proceeding) the Company shall contribute to the amount of Liability and Expenses incurred by the Officer for which indemnification is not available in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and the Officer on the other hand from any transaction from which such Proceeding arose and (ii) the relative fault of the Company and the Officer, as well as any other relevant equitable considerations.

Section 13. **Securities Act Liabilities**. The Officer understands and agrees that with respect to certain liabilities incurred under the Securities Act of 1933, the Company's obligations hereunder may be subject to undertakings contained in various registration statements filed by it pursuant to the Securities Act of 1933, as those undertakings relate to the possible need for court review of indemnification for such liabilities.

Section 14. **Subrogation**. The Company shall be subrogated to the extent of any payment to the Officer under this Agreement to all of the rights of recovery of the Officer with respect to such payments against third parties (including, without limitation, the insurer under any Liability Insurance policy, if applicable). The Officer shall do everything reasonably necessary to secure such rights, including the execution of such documents as may be necessary or desirable to enable the Company to bring suit to enforce such rights.

Section 15. **Duration of Agreement**. This Agreement shall continue in effect during the period Officer is an officer of the Company and shall continue until the final disposition of all Proceedings for Indemnifiable Events, whether or not such Proceedings are instituted prior to Officer ceasing to serve as an officer of the Company.

Section 16. **Period of Limitations**. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company or any affiliate of the Company against the Officer, the Officer's spouse, heirs, executors or personal or legal representatives after the expiration of two year from the date of accrual of such cause of action, or such longer period as may be required by state law under the circumstances. Any claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing and notice of a legal action within such period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, the short period shall govern.

Section 17. **Consent to Jurisdiction**. The Company and the Officer each irrevocably consent to the jurisdiction of the courts of the State of Tennessee for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the courts of the State of Tennessee.

Section 18. **Severability**. The provisions of this Agreement shall be severable in the event any of the provisions hereof are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law and, to the fullest extent possible, shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 19. **Notices**. All notices, requests, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand and receipted for by the party to whom such notice or other communication shall have been directed or if mailed by certified registered mail with postage prepaid or if delivered by a private express package or similar service providing receipt against delivery. All such notices and other communications shall be deemed received on the earlier of actual receipt or the third business day after the date on which it is so delivered or mailed:

If to the Officer to:

____

____

____

or to such other address as may be furnished to the Company by the Officer by notice similarly given; or

If to the Company to:

Genesco Inc.
1415 Murfreesboro Pike
Nashville, Tennessee 37217
Attention: Secretary

or to such other address as may be furnished to the Officer by the Company by notice similarly given.

Section 20. **Governing Law**. This Agreement shall be governed by, and be construed and enforced in accordance with, the laws of the State of Tennessee applicable to contracts made and to be performed in such State without giving effect to the principles of conflicts of laws.

Section 21. **Changes in Law**. To the extent that a change in applicable law (whether by statute or judicial decision) shall permit broader indemnification or advancement of Expenses than is provided under the terms of the organizational documents of the Company and this Agreement, the Officer shall be entitled to such broader indemnification and advancement, and this Agreement shall be deemed to be amended to such extent.

Section 22. **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the parties hereto and their respective successors and assigns, including without limitation any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company and the spouse, heirs and personal representatives of the Officer. The Company shall require any successor to all or substantially all of the business or assets of the Company, by written agreement in form and substance satisfactory to the Officer, to expressly assume this Agreement.

Section 23. **Subsequent Amendments**. No amendment, termination or repeal of any provision of the charter or bylaws of the Company, or any respective successors thereto, or of any relevant provision of any applicable law, unless in the case such amendment or change in law permits the Company to provide broader indemnification rights than were permitted prior thereto, shall affect or diminish in any way the rights of the Officer to indemnification, or the obligation of the Company, arising under this Agreement, whether the alleged actions or conduct of the Officer giving rise to the necessity of such indemnification arose before or after any such amendment, termination or repeal. An Officer's rights to indemnification and advancement under this Agreement and the Company's bylaws shall vest as of the date he became or becomes an officer of the Company.

Section 24. **Modification and Waiver.** This Agreement supersedes in its entirety any existing or prior agreement between the Company and the Officer pertaining to indemnification and advancement rights. No supplement, modification, amendment, termination or assignment of this Agreement shall be effective unless in writing signed by both parties hereto. No waiver of any provisions of this Agreement shall be binding unless executed in writing by the party making the waiver.

Section 25. **Definitions.**

(a) **"Change in Control"** means a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, provided that, without limitation, such a change in control shall be deemed to have occurred if and when (i) any "person" (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities or (ii) individuals who are members of the board of directors of the Company immediately prior to a meeting of the shareholders of the Company involving a contest for the election of directors do not constitute a majority of the board of directors following such election.

(b) **"Expenses"** shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating or being or preparing to be a witness in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. In addition, Expenses shall include any expenses of establishing a right to indemnification.

(c) **“Indemnifiable Event”** means any event or occurrence that takes place either prior to or after the execution of this Agreement, related to the fact that the Officer is or was an officer and/or director of the Company, or while the Officer is or was serving at the request of the Company as an officer and/or director of another foreign or domestic corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, or was an officer and/or director of a foreign or domestic corporation that was a predecessor corporation of the Company or another enterprise at the request of such predecessor corporation, or related to anything done or not done by the Officer in any such capacity, whether or not the basis of the Proceeding is alleged action in an official capacity as an officer or in any other capacity while serving as an officer of the Company, as described above.

(d) **“Liability”** means the obligation to pay a judgment, settlement, penalty or fine (including an excise tax or penalty assessed with respect to an employee benefit plan).

(e) **“Proceeding”** means any threatened, pending or completed action, suit, arbitration, alternative dispute mechanism, inquiry, administrative or legislative hearing, investigation or any other actual, threatened or completed proceeding, including any and all appeals, whether conducted by the Company or any other party, whether civil, criminal, administrative, investigative, or other, whether formal or informal, and in each case whether or not commenced prior to the date of this Agreement, that relates to an Indemnifiable Event.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

GENESCO INC.

By: ______________________________
Hal N. Pennington
Chairman

____

CERTIFICATIONS

I, Robert J. Dennis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 9, 2008

/s/ Robert J. Dennis
Robert J. Dennis
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, James S. Gulmi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 9, 2008

/s/ James S. Gulmi

James S. Gulmi
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the “Company”) on Form 10-Q for the period ending November 1, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert J. Dennis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Dennis
Robert J. Dennis
Chief Executive Officer
December 9, 2008

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the “Company”) on Form 10-Q for the period ending November 1, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James S. Gulmi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James S. Gulmi
James S. Gulmi
Chief Financial Officer
December 9, 2008