

(Mark One)

Form 10-K
Annual Report Pursuant To
Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Fiscal Year Ended
January 29, 2005

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

Securities and Exchange Commission
Washington, D.C. 20549
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

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

Title	Exchanges on which Registered
Common Stock, \$1.00 par value	New York and Chicago
Preferred Share Purchase Rights	New York and Chicago

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

Subordinated Serial Preferred Stock, Series 1
Employees' Subordinated Convertible Preferred Stock

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

Documents Incorporated by Reference

Portions of the proxy statement for the June 22, 2005 annual meeting of shareholders are incorporated into Part III by reference.

Common Shares Outstanding April 1, 2005 – 22,572,570

The aggregate market value of common stock held by nonaffiliates of the registrant as of July 31, 2004, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$472,000,000. The market value calculation was determined using a per share price of \$21.46, the price at which the common stock was last sold on the New York Stock Exchange on such date. For purposes of this calculation, shares held by nonaffiliates excludes only those shares beneficially owned by officers, directors, and shareholders owning 10% or more of the outstanding common stock (and, in each case, their immediate family members and affiliates).

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
<u>Item 1. Business</u>	3
<u>Item 2. Properties</u>	8
<u>Item 3. Legal Proceedings</u>	8
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	10
<u>PART II</u>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	13
<u>Item 6. Selected Financial Data</u>	14
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	38
<u>Item 8. Financial Statements and Supplementary Data</u>	39
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	100
<u>Item 9A. Controls and Procedures</u>	100
<u>Item 9B. Other Information</u>	101
<u>PART III</u>	
<u>Item 10. Directors and Executive Officers of the Registrant</u>	101
<u>Item 11. Executive Compensation</u>	101
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	102
<u>Item 13. Certain Relationships and Related Transactions</u>	102
<u>Item 14. Principal Accountant Fees and Services</u>	102
<u>PART IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	103
<u>EX-10.A FIRST AMENDMENT CREDIT AGREEMENT</u>	
<u>EX-10.F FORM OF OPTION AGREEMENT</u>	
<u>EX-10.H 2006 EVA INCENTIVE COMPENSATION PLAN</u>	
<u>EX-10.P DEFFERED INCOME PLAN</u>	
<u>EX-10.Q NON-EMPLOYEE DIRECTOR & NAMED EXECUTIVE OFFICER</u>	
<u>EX-21 SUBSIDIARIES OF THE COMPANY</u>	
<u>EX-24 POWER OF ATTORNEY</u>	
<u>EX-31.1 SECTION 302 CERTIFICATION OF THE CEO</u>	
<u>EX-31.2 SECTION 302 CERTIFICATION OF THE CFO</u>	
<u>EX-32.1 SECTION 906 CERTIFICATION OF THE CEO</u>	
<u>EX-32.2 SECTION 906 CERTIFICATION OF THE CFO</u>	
<u>EX-99 FINANCIAL STATEMENTS</u>	

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

Genesco is a leading retailer of branded footwear, licensed and branded headwear and wholesaler of branded footwear, with net sales for Fiscal 2005 of \$1.1 billion. During Fiscal 2005, the Company operated five reportable business segments (not including corporate): Journeys, comprised of Journeys and Journeys Kidz retail footwear chains; Underground Station Group, comprised of the Underground Station and Jarman retail footwear chains; Hat World, comprised of Hat World, Lids, Hat Zone, Cap Connection and Headquarters retail headwear chains; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Dockers Footwear. On April 1, 2004, the Company acquired Hat World Corporation, a leading retailer of licensed and branded headwear. On July 1, 2004, the Company acquired Cap Connection Ltd., a retailer of licensed and branded headwear in Canada.

At January 29, 2005, the Company operated 1,599 retail footwear and headwear stores throughout the United States and Puerto Rico and 19 headwear stores in Canada. It currently plans to open a total of 196 new retail stores in Fiscal 2006. At January 29, 2005, Journeys operated 695 stores, including 41 Journeys Kidz; Underground Station Group operated 229 stores, including 165 Underground Station stores; Hat World operated 552 stores, including 19 Canadian stores, and Johnston & Murphy operated 142 stores and factory stores.

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

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Retail Footwear and Headwear Stores and Leased Departments					
Beginning of year	679	836	908	991	1,046
Opened during year	181	153	97	80	120
Acquired during year	-0-	-0-	-0-	-0-	503
Closed during year	(24)	(81)	(14)	(25)	(51)
End of year	<u>836</u>	<u>908</u>	<u>991</u>	<u>1,046</u>	<u>1,618</u>

The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed Dockers brand to over 900 retail accounts in the United States, including a number of leading department, discount, and specialty stores.

Shorthand references to fiscal years (e.g., "Fiscal 2005") refer to the fiscal year ended on the Saturday nearest January 31st in the named year (e.g., January 29, 2005). For further information on the Company's business segments, see Note 15 to the Consolidated Financial Statements included in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations." All information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" which is referred to in Item 1 of this report is

[Table of Contents](#)

incorporated by such reference in Item 1. This report contains forward-looking statements. Actual results may vary materially and adversely from the expectations reflected in these statements. For a discussion of some of the factors that may lead to different results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Available Information

The Company files reports with the Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports from time to time. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer and the SEC maintains an Internet site at <http://www.sec.gov> that contains the reports, proxy and information statements, and other information filed electronically. Our website address is <http://www.genesco.com>. Please note that our website address is provided as an inactive textual reference only. We make available free of charge through our website annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on our website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Segments

Journeys

The Journeys segment accounted for approximately 47% of the Company's net sales in Fiscal 2005. Operating income attributable to Journeys was \$60.1 million in Fiscal 2005, with an operating margin of 11.5%. The Company believes its innovative store formats, mix of well-known brands, new product introductions, and experienced management team provide significant competitive advantages for Journeys.

At January 29, 2005, Journeys operated 695 stores, including 41 Journeys Kidz stores, averaging approximately 1,650 square feet, throughout the United States and Puerto Rico, selling footwear for young men and women and children.

Journeys added 30 net new stores in Fiscal 2005 and comparable store sales were up 5% from the prior fiscal year. Journeys stores, located primarily in the Southeast, Midwest, California, Texas, and Puerto Rico, target customers in the 13-22 year age group through the use of youth-oriented decor and popular music videos. Journeys stores carry predominately branded merchandise across a wide range of prices, including such leading brand names as Converse, Diesel, Timberland and Dr. Martens. From a base of 425 Journeys stores at the end of Fiscal 2001, the Company opened 108 net new Journeys stores in Fiscal 2002, 81 net new stores in Fiscal 2003, 51 net new stores in Fiscal 2004 and 30 net new stores in Fiscal 2005 and plans to open approximately 66 net new Journeys stores in Fiscal 2006.

Table of Contents

Underground Station Group

The Underground Station Group segment, including Underground Station and Jarman retail stores, accounted for approximately 13% of the Company's net sales in Fiscal 2005. Operating income attributable to Underground Station Group was \$7.0 million in Fiscal 2005, with an operating margin of 4.7%.

At January 29, 2005, Underground Station Group operated 229 stores, including 165 Underground Station stores, averaging approximately 1,600 square feet, throughout the United States, selling footwear primarily for men.

Underground Station stores are located primarily in urban areas. Jarman stores are located primarily in urban and suburban areas in the Southeast and Midwest, target male consumers in the 20-35 age group and sell footwear in the mid-price range (\$50 to \$100). For Fiscal 2005, most of the footwear sold in Underground Station stores was branded merchandise, including such leading brand names as Timberland, Lutz, Diesel and Nike, with the remainder made up of Genesco and private label brands. The product mix at each Underground Station/Jarman store is tailored to match local customer preferences and competitive dynamics. The Company opened 28 net new Underground Station stores in Fiscal 2005 and closed 32 Jarman stores, decreasing the total number of Underground Station/Jarman stores to 229. The 28 net new Underground Station stores included twelve conversions of Jarman retail stores to Underground Station stores. The Company plans to open approximately 26 net new Underground Station stores in Fiscal 2006 and close approximately 14 Jarman stores. For additional information, including with respect to the planned closing or conversion of the Company's Jarman stores, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 4 to the Consolidated Financial Statements, included in Item 8.

Hat World

The Hat World segment, including Hat World, Lids, Hat Zone, Cap Connection and Headquarters stores, accounted for approximately 19% of the Company's net sales in Fiscal 2005, beginning at its acquisition on April 1, 2004. Operating income attributable to Hat World was \$30.5 million in Fiscal 2005, with an operating margin of 14.1%.

At January 29, 2005, Hat World operated 552 stores, averaging approximately 700 square feet, throughout the United States, Puerto Rico and Canada. Hat World added 49 net new stores in Fiscal 2005 since being acquired and plans to open approximately 89 net new stores in Fiscal 2006.

The stores, located in malls, airports, street level stores and factory outlet stores nationwide and in Canada, target customers in the mid-teen to mid-20's age group. In general, the stores offer an assortment of college, MLB, NBA, NFL and NHL teams, as well as other specialty fashion categories.

Johnston & Murphy

The Johnston & Murphy segment, including retail stores, catalog and internet sales and wholesale distribution, accounted for approximately 15% of the Company's net sales in Fiscal 2005. Operating income attributable to Johnston & Murphy was \$9.2 million in Fiscal 2005, with an operating margin of 5.7%. All of the Johnston & Murphy wholesale sales are of the Genesco-

[Table of Contents](#)

owned Johnston & Murphy brand and approximately 96% of the Johnston & Murphy retail sales are of Genesco-owned brands.

Johnston & Murphy Retail Operations. At January 29, 2005, Johnston & Murphy operated 142 retail stores and factory stores, averaging approximately 1,550 square feet, throughout the United States selling footwear and accessories for men. Johnston & Murphy retail shops are located primarily in better malls nationwide and sell a broad range of men's dress and casual footwear and accessories. The Company also sells Johnston & Murphy products directly to consumers through a direct mail catalog and e-commerce websites. Johnston & Murphy stores target business and professional consumers. Retail prices for Johnston & Murphy footwear generally range from \$100 to \$250. Casual and dress casual products accounted for 34% of total Johnston & Murphy retail sales in Fiscal 2005, with the balance consisting of dress shoes and accessories.

Johnston & Murphy Wholesale Operations. In addition to sales through Company-owned Johnston & Murphy retail shops and factory stores, Johnston & Murphy footwear is sold primarily through better department and independent specialty stores. Johnston & Murphy's wholesale customers offer the brand's footwear for dress, dress casual, and casual occasions, with the majority of styles offered in these channels selling from \$125-\$175.

Dockers Footwear

The Dockers Footwear segment accounted for approximately 6% of the Company's net sales in Fiscal 2005. Operating income attributable to Dockers was \$6.1 million in Fiscal 2005, with an operating margin of 9.6%. Substantially all of the Dockers sales are of footwear marketed under the brand for which Genesco has the exclusive men's footwear license in the United States since 1991. See "Trademarks and Licenses." Dockers footwear is marketed through many of the same national retail chains that carry Dockers slacks and sportswear. Suggested retail prices for Dockers footwear generally range from \$50 to \$80.

Manufacturing and Sourcing

The Company relies primarily on independent third-party manufacturers for production of its footwear products sold at wholesale. The Company sources footwear products from foreign manufacturers located in China, Italy, Mexico, Brazil, Indonesia, Taiwan, India and Portugal. The Company's retail operations source primarily branded products from third parties, who source primarily overseas.

Competition

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

[Table of Contents](#)

the Company to remain competitive with respect to such key factors could have a material adverse effect on the Company's business, financial condition, or results of operations.

Trademarks and Licenses

The Company owns its Johnston & Murphy footwear brand through a wholly-owned subsidiary. The Dockers brand footwear line, introduced in Fiscal 1993, is sold under a license agreement granting the exclusive right to sell men's footwear under the trademark in the United States. The Dockers license agreement, as amended, expires on December 31, 2006, with an option to renew through December 31, 2008. Net sales of Dockers products were \$64 million in Fiscal 2005 and \$60 million in Fiscal 2004. The Company licenses certain of its footwear brands, mostly in foreign markets. License royalty income was not material in Fiscal 2005.

Wholesale Backlog

Most of the Company's orders in the Company's wholesale divisions are for delivery within 150 days. Because most of the Company's business is at-once, the backlog at any one time is not necessarily indicative of future sales. As of March 26, 2005, the Company's wholesale operations had a backlog of orders, including unconfirmed customer purchase orders, amounting to approximately \$22.9 million, compared to approximately \$15.3 million on March 27, 2004. The backlog is somewhat seasonal, reaching a peak in spring. The Company maintains in-stock programs for selected anticipated high volume sales.

Employees

Genesco had approximately 9,600 employees at January 29, 2005, approximately 9,500 of whom were employed in operations and 105 in corporate staff departments. Retail footwear and headwear stores employ a substantial number of part-time employees and approximately 5,250 of the Company's employees were part-time.

Properties

At January 29, 2005, the Company operated 1,618 retail footwear and headwear stores throughout the United States, Puerto Rico and Canada. New shopping center store leases typically are for a term of approximately 10 years and new factory outlet leases typically are for a term of approximately five years. Both typically provide for rent based on a percentage of sales against a fixed minimum rent based on the square footage leased.

The Company operates four distribution centers (three of which are owned and one is leased) aggregating approximately 800,000 square feet. Three of the facilities are located in Tennessee and one in Indiana. The Company's executive offices and the offices of its footwear operations, which are leased, are in Nashville, Tennessee where Genesco occupies approximately 76% of a 295,000 square foot building. The offices of the Company's headwear operations, which are leased, are in a 43,000 square foot building in Indianapolis, Indiana and a 1,800 square foot building in Edmonton, Alberta, Canada.

The lease on the Company's Nashville, Tennessee office expires in April 2017 with an option to renew for an additional five years. The lease on the Company's Indianapolis, Indiana office expires in May 2015 and the lease on the Edmonton, Alberta, Canada office expires in July 2007. The Company believes that all leases of properties that are material to its operations may be renewed on terms not materially less favorable to the Company than existing leases.

Environmental Matters

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

ITEM 2, PROPERTIES

See Item 1, Properties.

ITEM 3, LEGAL PROCEEDINGS

Environmental Matters

New York State Environmental Matters

In August 1997, the New York State Department of Environmental Conservation (the "Department") 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 remediation 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 estimates that the cost of conducting the RIFS and implementing the interim remedial measure will be in the range of \$6.1 million to \$6.3 million, net of insurance recoveries, \$2.7 million of which the Company has already paid.

The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict the extent of its liability, if any, beyond that voluntarily assumed by the consent order. The Company's voluntary assumption of responsibility for the IRM and the RIFS and its willingness to implement a remedial alternative with respect to the supply wells (described below) were based upon its judgment that such actions were preferable to litigation to determine its liability, if any, for contamination related to the site. The Company intends to continue to evaluate the costs of further voluntary remediation versus the costs and uncertainty of litigation.

As part of its analysis of whether to undertake further voluntary action, the Company has assessed various methods of preventing potential future impact of contamination from the site on two public wells that are in the expected future path of the groundwater plume from the site. The Village of Garden City has proposed the installation at the supply wells of enhanced treatment measures at an estimated cost of approximately \$2.6 million, with estimated future costs of up to \$2.0 million. In the third quarter of Fiscal 2005, the Company provided for the estimated cost of

[Table of Contents](#)

a remedial alternative it considers adequate to prevent such impact and which it would be willing to implement voluntarily. The Village of Garden City has also asserted that the Company is liable for historical costs of treatment at the wells totaling approximately \$3.4 million. Because of evidence with regard to when contaminants from the site of the Company's former operations first reached the wells, the Company believes it should have no liability with respect to such historical costs.

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. While management believes that the Plan should be sufficient to satisfy applicable regulatory standards with respect to the site, until the Plan is finally approved by MDEQ, management cannot provide assurances that no further remediation will be required, estimate the cost of such remediation or predict whether it will have a material effect on the Company's financial condition or results of operations.

Related to all outstanding environmental contingencies, the Company had accrued \$5.5 million as of January 29, 2005, \$2.7 million as of January 31, 2004 and \$1.4 million as of February 1, 2003. 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 balance sheet. Additional pretax provision less insurance proceeds/recoveries realized, totaled approximately \$0.9 million, \$1.8 million and \$0.3 million for Fiscal 2005, 2004 and 2003, respectively. Such amounts were recognized in provision for discontinued operations, net on the accompanying Statements of Earnings included in Item 8.

Insurance Matter

In May 2003, the Company filed a declaratory judgment action in the U. S. District Court for the Middle District of Tennessee against former general liability insurance carriers that underwrote policies covering the Company during periods relevant to the New York State knitting mill matter described above and the matters described above under the caption "Whitehall Environmental Matters." The action sought a determination that the carriers' defense and indemnity obligations under the policies extend to the site. During the third quarter of Fiscal 2005, the Company and the carriers reached definitive settlement agreements and the Company received cash payments from the carriers totaling approximately \$3.0 million in exchange for releases from liability with respect to the two sites. Net of the insurance proceeds, additional pretax provisions totaling approximately \$1.0 million for future remediation expenses associated with the New York State knitting mill matter described above and the Whitehall matter described above, are reflected in the loss from discontinued operations for Fiscal 2005.

Other Matters

Patent Action

In January 2003, the Company was named a defendant in an action filed in the United States District Court for the Eastern District of Pennsylvania, *Schoenhaus, et al. vs. Genesco Inc., et al.*, alleging that certain features of shoes in the Company's Johnston & Murphy line infringe the plaintiff's patent, misappropriate trade secrets and involve conversion of the plaintiff's proprietary information and unjust enrichment of the Company. On January 10, 2005, the court granted summary judgment to the Company on the patent claims, finding that the accused products do not infringe the plaintiff's patent. The court subsequently stayed the remainder of the case, pending appeal of the summary judgment to the U.S. Court of Appeals for the Federal Circuit.

California Employment Matter

On October 22, 2004, the Company was named a defendant in a putative class action filed in the Superior Court of the State of California, Los Angeles, *Schreiner vs. Genesco Inc., et al.*, alleging violations of California wages and hours laws, and seeking damages of \$40 million plus punitive damages. The Company has retained counsel and filed an answer denying the material allegations in the complaint, and intends to defend the matter vigorously.

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

There were no matters submitted to a vote of security holders during the fourth quarter of Fiscal 2005.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Hal N. Pennington, 67, *Chairman, President and Chief Executive Officer*. Mr. Pennington has served in various roles during his 43 year tenure with Genesco. He was vice president-wholesale for Johnston & Murphy from 1990 until his appointment as president of Dockers Footwear in August 1995. He was named president of Johnston & Murphy in February 1997 and named senior vice president in June 1998. Mr. Pennington was named executive vice president, chief operating officer and a director of the Company as of November 4, 1999. Mr. Pennington was named president of the Company as of November 1, 2000. He has responsibility for operational support functions including human resources and information systems, in addition to oversight of the Company's operating divisions. Mr. Pennington was named chief executive officer of the Company as of April 25, 2002. Mr. Pennington was named chairman as of October 28, 2004.

James S. Gulmi, 59, *Senior Vice President — Finance and Chief Financial Officer*. Mr. Gulmi was employed by Genesco in 1971 as a financial analyst, appointed assistant treasurer in 1974 and named treasurer in 1979. He was elected a vice president in 1983 and assumed the responsibilities of chief financial officer in 1986. Mr. Gulmi was appointed senior vice president — finance in January 1996.

James C. Estepa, 53, *Senior Vice President*. Mr. Estepa joined the Company in 1985 and in February 1996 was named vice president operations of Genesco Retail, which included the Jarman Shoe Company, Journeys, Boot Factory and General Shoe Warehouse. Mr. Estepa was named senior vice president operations of Genesco Retail in June 1998. He was named president of Journeys in March 1999. Mr. Estepa was named senior vice president of the Company in April 2000. He was named president and chief executive officer of the Genesco Retail Group in 2001, assuming additional responsibilities of overseeing Jarman and Underground Station.

Jonathan D. Caplan, 51, *Senior Vice President*. Mr. Caplan rejoined the Company in October 2002 as chief executive officer of the branded group and president of Johnston & Murphy and was named senior vice president in November 2003. Mr. Caplan first joined the Company in June 1982 and served as president of Genesco's Laredo-Code West division from December 1985 to May 1992. After that time, Mr. Caplan was president of Stride Rite's Children's Group and then its Ked's Footwear division, from 1992 to 1996. He was vice president, New Business Development and Strategy, for Service Merchandise Corporation from 1997 to 1998. Prior to joining Genesco in October 2002, Mr. Caplan served as president and chief executive officer of Hi-Tec Sports North America beginning in 1998.

[Table of Contents](#)

Robert J. Dennis, 51, *Senior Vice President*. Mr. Dennis joined the Company in April 2004 as chief executive officer of the Company's newly acquired Hat World Corporation. Mr. Dennis was named senior vice president in June 2004. Prior to joining the Company, Mr. Dennis joined Hat World in 2001 from Asbury Automotive, which he helped build beginning in 1998. Mr. Dennis was a partner with McKinsey and Company, an international consulting firm, from 1984 to 1997.

John W. Clinard, 57, *Vice President – Administration and Human Resources*. Mr. Clinard has served in various human resources capacities during his 33 year tenure with Genesco. He was named vice president — human resources in June 1997. He was named vice president administration and human resources in November 2000.

Roger G. Sisson, 41, *Vice President, Secretary and General Counsel*. Mr. Sisson joined the Company in January 1994 as assistant general counsel and was elected secretary in February 1994. He was named general counsel in January 1996. Mr. Sisson was named vice president in November 2003. Before joining the Company, Mr. Sisson was associated with a Nashville law firm for approximately six years.

Mimi Eckel Vaughn, 38, *Vice President of Strategy and Business Development*. Ms. Vaughn joined the Company in September 2003 in her current position. Prior to joining the Company, Ms. Vaughn was executive vice president of business development and marketing, and acting chief financial officer from 2000 to 2001 for Link2Gov Corporation in Nashville. From 1993 to 1999, she was a senior engagement manager at McKinsey and Company in Atlanta. Prior to joining McKinsey, she held various corporate finance positions at Goldman, Sachs & Co., Wasserstein Perella & Co. Inc. and Drexel Burnham Lambert.

Matthew N. Johnson, 40, *Treasurer*. Mr. Johnson joined the Company in April 1993 as manager, corporate finance and was elected assistant treasurer in December 1993. He was elected treasurer in June 1996. Prior to joining the Company, Mr. Johnson was a vice president in the corporate and institutional banking division of The First National Bank of Chicago.

Paul D. Williams, 50, *Chief Accounting Officer*. Mr. Williams joined the Company in 1977, was named director of corporate accounting and financial reporting in 1993 and chief accounting officer in April 1995.

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

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

Fiscal Year ended January 31	High	Low
2004 1st Quarter	\$ 17.19	\$ 11.82
2nd Quarter	19.30	13.63
3rd Quarter	19.63	15.90
4th Quarter	19.83	14.30
Fiscal Year ended January 29	High	Low
2005 1st Quarter	\$ 25.05	\$ 17.18
2nd Quarter	25.67	19.49
3rd Quarter	26.17	18.77
4th Quarter	31.39	25.09

There were approximately 7,150 common shareholders of record on April 1, 2005.

The Company has not paid cash dividends in respect of its common stock since 1973. The Company's ability to pay cash dividends in respect of its common stock is subject to various restrictions. See Item 7 and Notes 7 and 9 to the Consolidated Financial Statements included in Item 8 for information regarding restrictions on dividends and redemptions of capital stock.

ITEM 6, SELECTED FINANCIAL DATA

Fiscal years 2001 through 2004 have been restated to reflect adjustments that are further discussed in Note 2 to the Consolidated Financial Statements included in Item 8.

Financial Summary

In Thousands except per common share data, financial statistics and other data	2005	2004	2003	2002	Fiscal Year End 2001
Results of Operations Data					
Net sales	\$ 1,112,681	\$ 837,379	\$ 828,307	\$ 746,157	\$ 679,337
Depreciation	31,266	24,607	21,788	18,348	14,634
Earnings before interest and taxes	88,064	51,649	66,279	62,198	59,352
Pretax earnings from continuing operations	77,102	44,360	58,409	54,634	52,152
Earnings from continuing operations	48,460	29,025	36,192	37,601	32,313
Discontinued operations (net of tax)	(211)	(888)	(165)	(1,253)	(3,233)
Net earnings	\$ 48,249	\$ 28,137	\$ 36,027	\$ 36,348	\$ 29,080
Per Common Share Data					
Earnings from continuing operations					
Basic	\$ 2.19	\$ 1.32	\$ 1.65	\$ 1.70	\$ 1.49
Diluted	1.92	1.24	1.46	1.51	1.33
Discontinued operations					
Basic	(.01)	(.04)	(.01)	(.05)	(.15)
Diluted	(.01)	(.04)	.00	(.05)	(.12)
Net earnings					
Basic	2.18	1.28	1.64	1.65	1.34
Diluted	1.91	1.20	1.46	1.46	1.21
Balance Sheet Data					
Total assets	\$ 635,571	\$ 448,313	\$ 437,856	\$ 380,946	\$ 363,988
Long-term debt	161,250	86,250	103,245	103,245	103,500
Non-redeemable preferred stock	7,474	7,580	7,599	7,634	7,721
Common shareholders' equity	264,591	204,665	172,420	151,047	128,719
Additions to property and equipment	39,480	22,540	40,332	51,197	39,342
Financial Statistics					
Earnings before interest and taxes as a percent of net sales	7.9%	6.2%	8.0%	8.3%	8.7%
Book value per share	\$ 11.79	\$ 9.42	\$ 7.93	\$ 6.92	\$ 5.94
Working capital	\$ 176,245	\$ 197,569	\$ 183,652	\$ 166,811	\$ 148,033
Current ratio	2.4	3.4	3.3	3.5	2.6
Percent long-term debt to total capitalization	37.2%	28.9%	36.4%	39.4%	43.1%
Other Data (End of Year)					
Number of retail outlets*	1,618	1,046	991	908	836
Number of employees**	9,600	6,200	5,700	5,325	4,700

* Includes 486 Hat World stores in Fiscal 2005 acquired April 1, 2004 and 17 Cap Connection stores acquired July 1, 2004. See Note 3 to the Consolidated Financial Statements. Also includes 57 Nautica Retail leased departments in Fiscal 2001.

** Includes over 2,800 Hat World employees in Fiscal 2005.

Reflected in earnings from continuing operations for Fiscal 2005, 2004, 2003, 2002 and 2001 were restructuring and other charges of \$1.2 million, \$1.9 million, \$2.8 million, \$5.4 million and \$4.4 million, respectively, including \$0.3 million and \$1.0 million included in gross margin in Fiscal 2002 and 2001, respectively. See Note 4 to the Consolidated Financial Statements for additional information regarding these charges.

Reflected in earnings from continuing operations for Fiscal 2005 was a favorable tax settlement of \$0.5 million and for Fiscal 2005, Fiscal 2004 and 2002 were tax benefits of \$0.2 million, \$1.1 million and \$3.5 million, respectively, resulting from the reversal of previously accrued income taxes.

Long-term debt includes current obligations. In April 2004, the Company entered into new credit facilities totaling \$175.0 million. Included in the facility was a \$100.0 million term loan used to fund a portion of the Hat World acquisition. In June 2003, the Company issued \$86.3 million of 4 1/8% convertible subordinated debentures due 2023. The Company used the proceeds plus additional cash to pay off \$103.2 million of its 5 1/2% convertible subordinated notes which resulted in a \$2.6 million loss on the early retirement of debt reflected in earnings from continuing operations for Fiscal 2004. See Note 7 to the Consolidated Financial Statements for additional information regarding the Company's debt.

The Company has not paid dividends on its Common Stock since 1973. See Notes 7 and 9 to the Consolidated Financial Statements for a description of limitations on the Company's ability to pay dividends.

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

Forward Looking Statements

This discussion and the notes to the Consolidated Financial Statements include certain forward-looking statements, which include statements regarding our intent, belief or expectations and all statements other than those made solely with respect to historical fact. Actual results could differ materially from those reflected by the forward-looking statements in this discussion and a number of factors may adversely affect the forward looking statements and the Company's future results, liquidity, capital resources or prospects. These factors (some of which are beyond the Company's control) include:

- Weakness in consumer demand for products sold by the Company.
- Fashion trends that affect the sales or product margins of the Company's retail product offerings.
- Changes in the timing of the holidays or in the onset of seasonal weather affecting period to period sales comparisons.
- Changes in buying patterns by significant wholesale customers.
- Disruptions in product supply or distribution.
- Further unfavorable trends in foreign exchange rates and other factors affecting the cost of products.
- Changes in business strategies by the Company's competitors (including pricing and promotional discounts).
- The Company's ability to open, staff and support additional retail stores on schedule and at acceptable expense levels, to renew leases in existing stores on schedule and at acceptable expense levels and to identify and timely obtain new locations at acceptable expense levels.
- Variations from expected pension-related charges caused by conditions in the financial markets.
- The outcome of litigation and environmental matters involving the Company, including those discussed in Note 14 to the Consolidated Financial Statements.

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

The Company is a leading retailer of branded footwear, licensed and branded headwear and wholesaler of branded footwear, operating 1,599 retail footwear and headwear stores throughout the United States and Puerto Rico and 19 headwear stores in Canada as of January 29, 2005. The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed Dockers brand to over 900 retail accounts in the United States, including a number of leading department, discount, and specialty stores. On April 1, 2004, the Company acquired Hat World Corporation ("Hat World"), a leading retailer of licensed and branded headwear operating 533 stores at January 29, 2005. On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta-based Cap Connection Ltd., a leading

[Table of Contents](#)

Canadian specialty retailer of headwear operating 19 stores at January 29, 2005. See “Significant Developments.”

The Company operates five reportable business segments (not including corporate): Journeys, comprised of Journeys and Journeys Kidz retail footwear chains; Underground Station Group, comprised of the Underground Station and Jarman retail footwear chains; Hat World, comprised of Hat World, Lids, Hat Zone, Cap Connection and Headquarters retail headwear operations; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Dockers Footwear.

The Journeys retail footwear stores sell footwear and accessories primarily for 13 – 22 year old men and women. The stores average approximately 1,650 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages five to 12. These stores average approximately 1,400 square feet.

The Underground Station Group retail footwear stores sell footwear and accessories for men and women in the 20 — 35 age group. The Underground Station Group stores average approximately 1,600 square feet. In the fourth quarter of Fiscal 2004, the Company made the strategic decision to close 34 Jarman stores during Fiscal 2005 subject to its ability to negotiate lease terminations. These stores are not suitable for conversion to Underground Station stores. The Company intends to convert the remaining Jarman stores to Underground Station stores and close the remaining Jarman stores not closed in Fiscal 2005 as quickly as it is financially feasible, subject to landlord approval. During Fiscal 2005, 20 Jarman stores were closed and twelve Jarman stores were converted to Underground Station stores.

Hat World retail stores sell licensed and branded headwear to men and women primarily in the mid-teen to mid-20’s age group. These stores average approximately 700 square feet and are located in malls, airports, street level stores and factory outlet stores nationwide and in Canada.

Johnston & Murphy retail stores sell a broad range of men’s dress and casual footwear and accessories to business and professional consumers. These stores average approximately 1,300 square feet and are located primarily in better malls nationwide. 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 in factory stores located in factory outlet malls. These stores average approximately 2,400 square feet.

The Company entered into an exclusive license with Levi Strauss and Company to market men’s footwear in the United States under the Dockers® brand name in 1991. The Dockers license agreement was renewed October 22, 2004. The Dockers license agreement, as amended, expires on December 31, 2006 with a Company option to renew through December 31, 2008, 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.

The Company’s net sales increased 32.9% during Fiscal 2005 compared to the prior year. The increase was driven primarily by the addition of new stores (including 533 Hat World stores acquired on April 1, 2004 or opened since April 1, 2004 and 19 Cap Connection stores acquired on July 1, 2004 or opened since July 1, 2004), as well as a 5.4% increase in Dockers Footwear sales and a 3% increase in comparable store sales for all footwear concepts. The same store sales

[Table of Contents](#)

increase was primarily due to growth in unit comparable sales in the Journeys business, a moderation in the decline in average selling price in the Journeys and Underground Station businesses. Gross margin increased as a percentage of sales during Fiscal 2005 primarily due to the acquisition of Hat World, improvements in Johnston & Murphy wholesale due to changes in sourcing and less promotional selling, decreased markdowns in the Underground Station Group and Journeys, and improvement in Dockers Footwear's margin due to a reduction in close out sales compared to last year.

The Company's strategy is to seek long-term 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. 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 control inventories, in gross margins. Because fashion trends influencing many of the Company's target customers (particularly customers of Journeys, Underground Station and Hat World) can change rapidly, the Company believes that its ability to detect and respond 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. 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.

Significant Developments

Restatement of Financial Statements

On February 7, 2005, the Office of the Chief Accountant of the SEC issued a letter to the American Institute of Certified Public Accountants expressing its views regarding certain operating lease accounting issues and their application under generally accepted accounting principles ("GAAP"). In light of this letter, the Company's management initiated a review of the Company's lease-related accounting methods and determined that the Company's methods of accounting for (1) amortization of leasehold improvements, (2) leasehold improvements funded by landlord incentives and (3) rent expense prior to commencement of operations and rent payments, while in line with common industry practice, were not in accordance with GAAP. As a result, the Company restated its consolidated financial statements for each of the fiscal years ended January 31, 2004, February 1, 2003 and the first three quarters of Fiscal 2005 included in this Report.

Previously the Company had amortized certain of its leasehold improvements over the lease term, including the first five-year renewal option for initial term leases of 10 years or less. Management determined that the appropriate interpretation of the lease term under Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases," is the sum of the fixed noncancellable term and any options where, at the inception of the lease, renewal is reasonably assured. Management determined that renewal of the majority of lease terms associated with leasehold improvements whose useful lives included the option period, while expected, were not reasonably assured under SFAS No. 13. Accordingly, the Company accelerated the amortization of those leasehold improvements to coincide with the end of the fixed noncancellable term of the lease, unless the Company would incur an economic penalty for not renewing the lease.

[Table of Contents](#)

Additionally, the Company had historically accounted for leasehold improvements funded by landlord incentives as reductions in the cost of the related leasehold improvements reflected in the Consolidated Balance Sheets and the capital expenditures reflected in investing activities in the Consolidated Statements of Cash Flows. Management determined that the appropriate interpretation of Financial Accounting Standards Board Technical Bulletin No. 88-1, "Issues Relating to Accounting for Leases," requires these incentives to be recorded as deferred rent liabilities in the Consolidated Balance Sheets and as a component of operating activities in the Consolidated Statements of Cash Flows. Additionally, this adjustment resulted in a reclassification of the deferred rent amortization from depreciation and amortization expense to rent expense, both included in selling and administrative expenses in the Consolidated Statements of Earnings and included as an additional cost component of capital expenditures in investing activities in the Consolidated Statements of Cash Flows. This adjustment also resulted in additional impairment charges reflected in restructuring and other, net in the Consolidated Statements of Earnings.

Finally, the Company had historically recognized rent holiday periods on a straight-line basis over the lease term commencing on the related retail store opening date. The store opening date coincides with the commencement of business operations, which is the intended use of the property. Management re-evaluated Financial Accounting Standards Board Technical Bulletin No. 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," and determined that, consistent with the letter issued by the Office of the Chief Accountant, the lease term should include the pre-opening period of construction, renovation, fixturing and merchandise placement (typically one to two months prior to store opening). The correction of this error requires the Company to record additional deferred rent in other long-term liabilities and to adjust retained earnings in the Consolidated Balance Sheets, as well as to restate rent expense in selling and administrative expenses in the Consolidated Statements of Earnings.

The cumulative effect of these corrections is a reduction to retained earnings of \$2.5 million (net of taxes of \$1.6 million) as of the beginning of Fiscal 2003 and reductions to retained earnings of \$0.2 million (net of taxes of \$0.1 million), \$0.6 million (net of taxes of \$0.4 million) and \$0.3 million (net of taxes of \$0.2 million) for the fiscal years ended 2005, 2004 and 2003, respectively. These adjustments did not have any impact on the overall cash flows of the Company.

See Note 2 to the Consolidated Financial Statements included in Item 8 for a summary of the effects of this restatement on the Company's Consolidated Balance Sheet as of January 31, 2004, as well as the Company's Consolidated Statements of Earnings and Cash Flows for fiscal years 2004 and 2003. The accompanying discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to these corrections.

We did not amend our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the restatement, and the financial statements and related financial information contained in such reports should no longer be relied upon.

Cap Connection Acquisition

On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta-based Cap Connection Ltd. The purchase price for the Cap Connection business was approximately \$1.7 million, subject to adjustment. At January 29, 2005, the Company operated 19 Cap Connection and Headquarters stores, in Alberta, British Columbia and Ontario, Canada.

[Table of Contents](#)

Hat World Acquisition

On April 1, 2004, the Company completed the acquisition of Hat World Corporation for a total purchase price of approximately \$179 million, including adjustments for \$12.6 million of net cash acquired, a \$1.2 million subsequent working capital adjustment and direct acquisition expenses of \$2.8 million. Hat World is a leading specialty retailer of licensed and branded headwear. As of January 29, 2005, it operated 533 stores across the U.S. under the Hat World, Lids and Hat Zone names. The Company believes the acquisition has enhanced its strategic development and prospects for growth. The Company funded the acquisition and associated expenses with a \$100.0 million, five-year term loan and the balance from cash on hand.

\$175.0 million Credit Facility

On April 1, 2004, the Company entered into new credit facilities totaling \$175.0 million with 10 banks, led by Bank of America, N.A., as Administrative Agent, to fund a portion of the purchase price for the Hat World acquisition and to replace its existing revolving credit facility. The \$175.0 million facility consists of a \$100.0 million, five-year term loan and a \$75.0 million five-year revolving credit facility. The agreement governing the facilities expires April 1, 2009. See Note 7 to the Consolidated Financial Statements.

Restructuring and Other Charges

The Company recorded a pretax charge to earnings of \$0.6 million in the fourth quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores and retail store asset impairments. These lease terminations were part of a plan announced by the Company in the fourth quarter of Fiscal 2004 to close 48 stores in Fiscal 2005.

The Company recorded a pretax charge to earnings of \$0.7 million in the third quarter of Fiscal 2005. The charge was primarily for lease terminations of four Jarman stores and retail store asset impairments.

The Company recorded a pretax credit to earnings of \$0.2 million in the second quarter of Fiscal 2005. The credit was primarily for the recognition of a gain on the curtailment of the Company's defined benefit pension plan, offset by charges for retail store asset impairments and lease terminations of four Jarman stores.

The Company recorded a pretax charge to earnings of \$0.1 million in the first quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores.

The Company recorded a pretax charge to earnings of \$2.0 million (\$1.2 million net of tax) in the fourth quarter of Fiscal 2004. The charge included \$3.8 million in asset impairments related to underperforming retail stores identified as suitable for closing if acceptable lease terminations could be negotiated, most of which were Jarman stores. The charge is net of recognition of \$1.8 million of excess restructuring provisions relating to facility shutdown costs originally accrued in Fiscal 2002. In accordance with SFAS No. 146, the Company revised its estimated liability and reduced the lease obligation during the period that the early lease termination was contractually obtained.

Table of Contents

The Company recorded a pretax charge to earnings of \$2.8 million (\$1.7 million net of tax) in the fourth quarter of Fiscal 2003. The charge included \$2.7 million in asset impairments related to 14 underperforming retail stores identified as suitable for closing if acceptable lease terminations could be negotiated, the payments included in the restructuring provision related to the termination of one of those leases, and \$0.1 million in severance payments. The majority of these costs related to the Johnston & Murphy division.

4 1/8% Convertible Subordinated Debentures due 2023

On June 24, 2003 and June 26, 2003, the Company issued a total of \$86.3 million of 4 1/8% Convertible Subordinated Debentures due June 15, 2023. During the second quarter ended August 2, 2003, the Company used the net proceeds of \$83 million and approximately \$23 million in additional cash to repay all of the Company's 5 1/2% convertible subordinated notes due 2005, including accrued interest payable and expenses incurred in connection therewith resulting in a loss on early retirement of debt of \$2.6 million (\$1.6 million redemption premium and \$1.0 million write-off of unamortized deferred note expense) reflected in the Company's second quarter results. See Note 7 to the Consolidated Financial Statements for additional information.

Minimum Pension Liability Adjustment

The return on pension plan assets was a gain of \$8.4 million for Fiscal 2005 compared to \$15.9 million in Fiscal 2004. The interest rate used to measure benefit obligations decreased from 6.125% to 5.75% in Fiscal 2005. As a result of the decrease in interest rates, plan assets were less than the accumulated benefit obligation, resulting in a pension liability of \$28.3 million on the balance sheet compared to \$25.6 million last year and a minimum pension liability adjustment of \$0.5 million (net of tax) in other comprehensive income in shareholders' equity. Depending upon future interest rates and returns on plan assets, and other known and unknown factors, there can be no assurance that additional adjustments in future periods will not be required.

Share Repurchase Program

In total, the Company's board of directors has authorized the repurchase of 7.5 million shares of the Company's common stock since the third quarter of Fiscal 1999. As of January 29, 2005, the Company had repurchased 7.1 million shares at a cost of \$71.3 million pursuant to all authorizations. There were 398,300 shares remaining to be repurchased under these authorizations as of January 29, 2005. The board has subsequently reduced the repurchase authorization to 100,000 shares in view of the Hat World acquisition. The Company did not repurchase any shares during Fiscal 2005.

Discontinued Operations

For the year ended January 29, 2005, the Company recorded an additional charge to earnings of \$0.3 million (\$0.2 million net of tax) reflected in discontinued operations, including \$1.0 million for anticipated costs of environmental remedial alternatives related to two manufacturing facilities formerly operated by the Company, offset by a \$0.7 million gain for excess provisions to prior discontinued operations. See Note 14 to the Consolidated Financial Statements for additional information.

[Table of Contents](#)

In the fourth quarter ended January 31, 2004, the Company recorded an additional charge to earnings of \$1.4 million (\$0.9 million net of tax) reflected in discontinued operations, including \$0.6 million for the Company's former Volunteer Leather tannery in Whitehall, Michigan, and \$0.8 million primarily for additional costs of a remedial investigation and feasibility study at its former knitting mill in New York. See Note 14 to the Consolidated Financial Statements for additional information.

Critical Accounting Policies

Inventory Valuation

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

In its 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.

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 with similar gross margin, 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. A change of 10 percent from the recorded amounts for all such provisions would have changed inventory by \$0.8 million at January 29, 2005.

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 shrink 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.

[Table of Contents](#)

Impairment of Long-Term Assets

As discussed in Note 1 to the Consolidated Financial Statements, 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 of the value of long-lived assets.

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 14 to the Company's Consolidated Financial Statements. The Company has made provisions for certain of these contingencies, including approximately \$0.9 million reflected in Fiscal 2005, \$1.8 million reflected in Fiscal 2004 and \$0.3 million reflected in Fiscal 2003. 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 circumstance 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. Catalog and internet sales are recorded at time of delivery to the customer and are net of estimated returns. 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.

Pension Plan Accounting

The Company accounts for the defined benefit pension plans using SFAS No. 87, Employer's Accounting for Pensions. 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.

[Table of Contents](#)

Long Term Rate of Return Assumption – Pension expense increases as the expected rate of return on pension plan assets decreases. The Company estimates that the pension plan assets will generate a long-term rate of return of 8.25%. To develop this assumption, the Company considered historical returns and future expectations of asset returns. Over the 10-year period ending December 31, 2004, the compound annual returns of the portfolio have averaged 9.6%. Considering this information and the potential for lower future returns, the Company selected an 8.25% long-term rate of return on assets assumption. The expected long-term rate of return on plan assets is based on a long-term investment policy of 50% U.S. equities, 13% International equities, 35% U.S. fixed income securities and 2% cash equivalents. For Fiscal 2005, if the expected rate of return had been decreased by 1%, net pension expense would have increased by \$0.9 million, and if the expected rate of return had been increased by 1%, net pension expense would have decreased by \$0.9 million.

Discount Rate – Pension liability and future pension expense increase as the discount rate is reduced. The Company discounted future pension obligations using a rate of 5.75%, 6.125%, and 6.625% for Fiscal 2005, 2004 and 2003, respectively. The discount rate is determined based on the current yields on high quality long-term bonds. For Fiscal 2005, if the discount rate had been increased by 0.5%, net pension expense would have decreased by \$0.8 million, and if the discount rate had been decreased by 0.5%, net pension expense would have increased by \$0.8 million. In addition, if the discount rate had been increased by 0.5%, the projected benefit obligation would have decreased by \$5.7 million and the accumulated benefit obligation would have decreased by \$5.7 million. If the discount rate had been decreased by 0.5%, the projected benefit obligation would have been increased by \$6.3 million and the accumulated benefit obligation would have increased by \$6.3 million.

Amortization of Gains and Losses – The significant declines experienced in the financial markets have unfavorably impacted pension asset performance. The Company utilizes a calculated value of assets, which is an averaging method that recognizes changes in the fair values of assets over a period of five years. At the end of Fiscal 2005, the Company had unrecognized actuarial losses of \$45 million. U.S. generally accepted accounting principles require that the Company recognize a portion of these losses when they exceed a calculated threshold. These losses might be recognized as a component of pension expense in future years and would be amortized over the average future service of employees, which is currently six years. Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plan will impact future pension expense and liabilities, including increasing or decreasing unrecognized actuarial gains and losses.

The Company recognized expense for its defined benefit pension plans of \$4.9 million, \$4.3 million and \$1.3 million in Fiscal 2005, 2004 and 2003, respectively. The Company's board of directors approved freezing the Company's defined pension benefit plan effective January 1, 2005. As a result, the Company's pension expense is expected to decrease in Fiscal 2006 by approximately \$0.7 million due to the plan freeze and earlier payment of the Company's pension contribution, offset by recognition of actuarial losses.

Results of Operations – Fiscal 2005 Compared to Fiscal 2004

The Company's net sales for Fiscal 2005 increased 32.9% to \$1.1 billion from \$837.4 million in Fiscal 2004. Gross margin increased 41.7% to \$551.1 million in Fiscal 2005 from \$388.8 million in Fiscal 2004 and increased as a percentage of net sales from 46.4% to 49.5%. Selling and

[Table of Contents](#)

administrative expenses in Fiscal 2005 increased 38.8% from Fiscal 2004 and increased as a percentage of net sales from 39.7% to 41.5%. 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 Fiscal 2005 were \$77.1 million compared to \$44.4 million for Fiscal 2004. Pretax earnings for Fiscal 2005 included restructuring and other charges of \$1.2 million, primarily for lease terminations of 20 Jarman stores and retail asset impairments offset by the gain on the curtailment of the Company's defined benefit pension plan. These lease terminations were part of the 48 stores the Company announced in the fourth quarter of Fiscal 2004 that it planned to close in Fiscal 2005. See "Significant Developments." Pretax earnings for Fiscal 2004 included restructuring and other charges of \$1.9 million, primarily for asset impairments offset by excess provisions relating to facility shutdown costs recorded in Fiscal 2002. In addition, Fiscal 2004 included a \$2.6 million loss on early retirement of debt. See "Significant Developments."

Net earnings for Fiscal 2005 were \$48.2 million (\$1.91 diluted earnings per share) compared to \$28.1 million (\$1.20 diluted earnings per share) for Fiscal 2004. Net earnings for Fiscal 2005 included \$0.2 million (\$0.01 diluted earnings per share) charge to earnings (net of tax) primarily for anticipated costs of environmental remedial alternatives related to two manufacturing facilities operated by the Company, offset by \$3.3 million from settlements with certain insurance carriers regarding the sites and by excess provisions from prior discontinued operations. Net earnings for Fiscal 2004 included a \$0.9 million (\$0.04 diluted earnings per share) charge to earnings (net of tax) for environmental clean-up costs at the Company's former Volunteer Leather tannery in Whitehall, Michigan and for additional anticipated costs for a remedial investigation and feasibility study at a former knitting mill in New York. The Company recorded an effective federal income tax rate of 37.1% for Fiscal 2005 compared to 34.6% for Fiscal 2004. The year-to-year change reflects a favorable tax settlement of \$0.5 million and a tax benefit of \$0.2 million resulting from the reversal of previously accrued income taxes in Fiscal 2005 and the Company's determination in Fiscal 2004 that approximately \$1.1 million of previously accrued income taxes were no longer required. Because these amounts were reflected as current year income tax benefits for Fiscal 2005 and 2004, it reduced the Company's effective federal income tax rate for both periods.

Journeys

	Fiscal Year Ended		% Change
	2005	2004	
Net sales	\$ 521,942	\$ 468,919	11.3%
Operating income	\$ 60,065	\$ 54,710	9.8%
Operating margin	11.5%	11.7%	

Net sales from Journeys increased 11.3% to \$521.9 million for Fiscal 2005 from \$468.9 million for Fiscal 2004. The increase reflects primarily a 5% increase in comparable store sales and a 6% increase in average Journeys stores operated (i.e., the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the year divided by thirteen).

[Table of Contents](#)

Footwear unit comparable sales also increased 7%, primarily reflecting the increase in comparable store sales. The average price per pair of shoes decreased 2% in Fiscal 2005, primarily reflecting fashion-related changes in product mix, while unit sales increased 13% during the same period. The comparable sales performance was primarily driven by the moderation in the decline in average selling price from 8% in the fourth quarter of Fiscal 2004 to 2% for Fiscal 2005 and by continued growth in unit comparable sales. The store count for Journeys was 695 stores at the end of Fiscal 2005, including 41 Journeys Kidz stores, compared to 665 Journeys stores at the end of Fiscal 2004, including 40 Journeys Kidz stores.

Journeys operating income for Fiscal 2005 increased 9.8% to \$60.1 million, compared to \$54.7 million for Fiscal 2004, primarily reflecting the increase in sales and increased gross margin as a percentage of net sales, reflecting decreased markdowns.

Underground Station Group

	Fiscal Year Ended		%
	2005	2004	
Net sales	\$ 148,039	\$ 147,812	0.2%
Operating income	\$ 6,963	\$ 8,178	(14.9)%
Operating margin	4.7%	5.5%	

Net sales from the Underground Station Group (comprised of Underground Station and Jarman retail stores) increased 0.2% to \$148.0 million for Fiscal 2005 from \$147.8 million for Fiscal 2004. Sales for Underground Station stores increased 18% for Fiscal 2005. Sales for Jarman retail stores decreased 26% for Fiscal 2005, reflecting a 25% decrease in Jarman stores operated related to the Company's strategy of closing Jarman stores or converting them to Underground Station stores. Comparable store sales were down 3% for the Underground Station Group, with comparable store sales for Underground Station stores down 2%. The 2% comparable store sales decrease for Fiscal 2005 compares favorably to the second quarter, when comparable store sales were down 11%. Comparable store sales for Underground Station stores increased 5% for the fourth quarter of Fiscal 2005. Footwear unit comparable sales were down 5% for the Underground Station Group for Fiscal 2005. The average price per pair of shoes was flat for Fiscal 2005, while unit sales decreased 3% during the same period. The average price per pair of shoes at Underground Station stores increased 1% during the year, primarily reflecting changes in product mix. Gross margin increased as a percentage of net sales during Fiscal 2005, reflecting decreased markdowns. Underground Station Group operated 229 stores at the end of Fiscal 2005, including 165 Underground Station stores. During Fiscal 2005, twelve Jarman stores were converted to Underground Station stores. The Company had operated 233 stores at the end of Fiscal 2004, including 137 Underground Station stores.

Underground Station Group operating income for Fiscal 2005 was down 14.9% to \$7.0 million compared to \$8.2 million for the same period last year. The decrease was due to increased expenses as a percentage of net sales.

[Table of Contents](#)*Hat World*

	Fiscal Year Ended*		% Change
	2005	2004	
	(dollars in thousands)		
Net sales	\$ 216,270	\$ -0-	NA
Operating income	\$ 30,522	\$ -0-	NA
Operating margin	14.1%	0%	

*The Company acquired Hat World on April 1, 2004. Results for Fiscal 2005 are for the period April 1, 2004 – January 29, 2005.

Hat World comparable store sales increased 11% for the ten months of Fiscal 2005. A strong gross margin contributed to the operating margin of 14.1%. Management believes that Hat World's comparable store sales increase resulted from favorable trends in consumer demand, driven by strong core sports products, particularly major league baseball, as well as strength in the fashion and branded businesses. Hat World operated 552 stores at the end of Fiscal 2005, including 19 stores in Canada. The Company acquired 486 Hat World stores on April 1, 2004 and 17 Cap Connection stores on July 1, 2004.

Johnston & Murphy

	Fiscal Year Ended		% Change
	2005	2004	
	(dollars in thousands)		
Net sales	\$ 162,599	\$ 160,095	1.6%
Operating income	\$ 9,230	\$ 4,089	125.7%
Operating margin	5.7%	2.6%	

Johnston & Murphy net sales increased 1.6% to \$162.6 million for Fiscal 2005 from \$160.1 million for Fiscal 2004, reflecting primarily a 3% increase in comparable store sales for Johnston & Murphy retail operations offset by a 4% decrease in Johnston & Murphy wholesale sales. The decrease in wholesale sales reflected the Company's strategic decision to reduce the number of individual locations in some accounts in which Johnston & Murphy products would be offered and to reduce the amount of promotional activity with the Johnston & Murphy brand in order to seek more profitable sales rather than sales growth and to emphasize Johnston & Murphy's premium position in the market place. Unit sales for the Johnston & Murphy wholesale business decreased 14% in Fiscal 2005, while the average price per pair of shoes increased 11% for the same period. Retail operations accounted for 75.3% of Johnston & Murphy segment sales in Fiscal 2005, up from 73.8% in Fiscal 2004 primarily due to decreased wholesale sales. The average price per pair of shoes for Johnston & Murphy retail increased 7% (8% in the Johnston & Murphy shops) in Fiscal 2005, primarily due to a greater emphasis on a more focused assortment of higher-end, premium footwear, while footwear unit sales decreased 6% during the same period. The store count for Johnston & Murphy retail operations at the end of Fiscal 2005 included 142 Johnston & Murphy stores and factory stores compared to 148 Johnston & Murphy stores and factory stores at the end of Fiscal 2004.

[Table of Contents](#)

Johnston & Murphy operating income for Fiscal 2005 increased 125.7% to \$9.2 million from \$4.1 million for Fiscal 2004, primarily due to increased retail sales and increased gross margin as a percentage of net sales, reflecting improvements in sourcing, less promotional selling and a higher mix of premium product.

Dockers Footwear

	Fiscal Year Ended		% Change
	2005	2004	
Net sales	\$ 63,508	\$ 60,274	5.4%
Operating income	\$ 6,075	\$ 4,548	33.6%
Operating margin	9.6%	7.5%	

Dockers Footwear's net sales increased 5.4% to \$63.5 million for Fiscal 2005 from \$60.3 million for Fiscal 2004. The sales increase reflected increased demand for the Company's products. Unit sales for Dockers Footwear increased 4% for Fiscal 2005 and the average price per pair of shoes increased 1% for the same period, reflecting less markdowns.

Dockers Footwear's operating income for Fiscal 2005 increased 33.6% from \$4.5 million for Fiscal 2004 to \$6.1 million, primarily due to increased net sales, increased gross margin as a percentage of net sales, reflecting less markdowns and to decreased expenses as a percentage of net sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for Fiscal 2005 were \$24.8 million compared to \$19.9 million for Fiscal 2004. Corporate and other expenses for Fiscal 2005 included \$1.2 million of restructuring and other charges, primarily for lease terminations of 20 Jarman stores and retail store asset impairments offset by the gain on the curtailment of the Company's defined pension benefit plan. Corporate and other expenses for Fiscal 2004 included \$1.9 million in restructuring and other charges and a \$2.6 million charge for the early retirement of debt related to the redemption of the Company's 5 1/2% Convertible Subordinated Notes due 2005. The increase in corporate expenses is attributable primarily to higher bonus accruals and increased professional fees (including increased professional fees and audit department costs resulting from additional work to comply with the Sarbanes-Oxley legislation and related regulations) offset by the absence of the charge for early retirement of debt in Fiscal 2004.

Interest expense increased 43.9% from \$7.9 million in Fiscal 2004 to \$11.4 million in Fiscal 2005, primarily due to the additional \$100.0 million term loan, which was used to purchase Hat World, the increase in bank activity fees as a result of new stores added due to the acquisition of Hat World and an increase in revolver borrowings. Borrowings under the Company's revolving credit facility averaged \$5.2 million for Fiscal 2005. There were no borrowings under the Company's revolving credit facility during Fiscal 2004.

Interest income decreased 33.0% from \$0.6 million in Fiscal 2004 to \$0.4 million in Fiscal 2005, due to the decrease in average short-term investments.

Results of Operations – Fiscal 2004 Compared to Fiscal 2003

The Company's net sales for Fiscal 2004 increased 1.1% to \$837.4 million from \$828.3 million in Fiscal 2003. Gross margin decreased 0.3% to \$388.8 million in Fiscal 2004 from \$390.1 million in Fiscal 2003 and decreased as a percentage of net sales from 47.1% to 46.4%. Selling and administrative expenses in Fiscal 2004 increased 3.6% from Fiscal 2003 and increased as a percentage of net sales from 38.8% to 39.7%. 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 Fiscal 2004 were \$44.4 million compared to \$58.4 million for Fiscal 2003. Pretax earnings for Fiscal 2004 included restructuring and other charges of \$1.9 million, primarily for asset impairments offset by excess provisions relating to facility shutdown costs recorded in Fiscal 2002. In addition, Fiscal 2004 includes a \$2.6 million loss on early retirement of debt. See "Significant Developments." Pretax earnings for Fiscal 2003 included restructuring and other charges of \$2.8 million, primarily for asset impairments. See "Significant Developments."

Net earnings for Fiscal 2004 were \$28.1 million (\$1.20 diluted earnings per share) compared to \$36.0 million (\$1.46 diluted earnings per share) for Fiscal 2003. Net earnings for Fiscal 2004 included a \$0.9 million (\$0.04 diluted earnings per share) charge to earnings (net of tax) for environmental clean-up costs at the Company's former Volunteer Leather tannery in Whitehall, Michigan and for additional anticipated costs for a remedial investigation and feasibility study at a former knitting mill in New York. Net earnings for Fiscal 2003 included a \$0.2 million (\$0.00 diluted earnings per share) charge to earnings (net of tax) for additional anticipated costs at the former knitting mill in New York. The Company recorded an effective federal income tax rate of 34.6% for Fiscal 2004 compared to 38.0% for Fiscal 2003. The year-to-year change reflects the Company's determination in Fiscal 2004 that approximately \$1.1 million of previously accrued income taxes were no longer required. Because this amount was reflected as current year income tax benefit for Fiscal 2004, it reduced the Company's effective federal income tax rate for Fiscal 2004.

Journeys

	Fiscal Year Ended		% Change
	2004	2003	
Net sales	\$ 468,919	\$ 436,498	7.4%
Operating income	\$ 54,710	\$ 52,826	3.6%
Operating margin	11.7%	12.1%	

Net sales from Journeys increased 7.4% to \$468.9 million for Fiscal 2004 from \$436.5 million for Fiscal 2003. The increase reflects primarily an 11% increase in average Journeys stores operated (i.e., the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the year divided by thirteen) offset by a 1% decrease in comparable store sales. Gross margin as a percentage of net sales for Journeys was flat with the previous year. The

Table of Contents

average price per pair of shoes decreased 7% in Fiscal 2004, primarily reflecting fashion-related changes in product mix and increased markdowns. Footwear unit sales increased 12%, primarily reflecting the increase in average stores operated. The store count for Journeys was 665 stores at the end of Fiscal 2004, including 40 Journeys Kidz stores, compared to 614 Journeys stores at the end of Fiscal 2003, including 35 Journeys Kidz stores.

Journeys operating income for Fiscal 2004 increased 3.6% to \$54.7 million, compared to \$52.8 million for Fiscal 2003, primarily reflecting the increase in sales.

Underground Station/Jarman Group

	Fiscal Year Ended		% Change
	2004	2003	
	(dollars in thousands)		
Net sales	\$ 147,812	\$ 147,926	(0.1)%
Operating income	\$ 8,178	\$ 12,323	(33.6)%
Operating margin	5.5%	8.3%	

Net sales from the Underground Station/Jarman Group decreased 0.1% to \$147.8 million for Fiscal 2004 from \$147.9 million for Fiscal 2003, reflecting a 6% decrease in comparable store sales offset by a 3% increase in average stores operated. The average price per pair of shoes decreased 7% in Fiscal 2004, primarily reflecting increased markdowns and changes in product mix, while footwear unit sales increased 4% during the same period. Underground Station/Jarman Group operated 233 stores at the end of Fiscal 2004, including 137 Underground Station stores. During Fiscal 2004, eight Jarman stores were converted to Underground Station stores. The Company had operated 229 stores at the end of Fiscal 2003, including 114 Underground Station stores.

Underground Station/Jarman Group operating income for Fiscal 2004 was down 33.6% to \$8.2 million compared to \$12.3 million for the same period last year. The decrease was due to decreased sales, decreased gross margin as a percentage of net sales, due primarily to increased markdowns, and to increased expenses as a percentage of net sales. Lower bonus accruals have been more than offset by higher store occupancy costs.

Johnston & Murphy

	Fiscal Year Ended		% Change
	2004	2003	
	(dollars in thousands)		
Net sales	\$ 160,095	\$ 165,269	(3.1)%
Operating income	\$ 4,089	\$ 9,275	(55.9)%
Operating margin	2.6%	5.6%	

Johnston & Murphy net sales decreased 3.1% to \$160.1 million for Fiscal 2004 from \$165.3 million for Fiscal 2003, reflecting primarily a 12% decrease in Johnston & Murphy wholesale sales and a 1% decrease in comparable sales for Johnston & Murphy retail operations. The Company made a strategic decision in Fiscal 2003 to reduce the number of individual locations in some accounts in which Johnston & Murphy products would be offered and to reduce the amount of promotional activity with the Johnston & Murphy brand in order to seek more profitable sales rather than sales growth and to emphasize Johnston & Murphy's premium position in the market

[Table of Contents](#)

place. Retail operations accounted for 73.8% of Johnston & Murphy segment sales in Fiscal 2004, up from 71.2% in Fiscal 2003 primarily due to decreased wholesale sales. The average price per pair of shoes for Johnston & Murphy retail decreased 1% in Fiscal 2004, reflecting primarily increased markdowns and changes in product mix, while footwear unit sales increased 1% during the same period. The average price per pair of shoes in the full-service retail shops increased 3%; average price per pair of shoes in factory stores decreased 10%. The store count for Johnston & Murphy retail operations at the end of Fiscal 2004 and 2003 included 148 Johnston & Murphy stores and factory stores. Unit sales for the Johnston & Murphy wholesale business decreased 10% in Fiscal 2004, while the average price per pair of shoes increased 2% for the same period, reflecting primarily mix changes.

Johnston & Murphy operating income for Fiscal 2004 decreased 55.9% to \$4.1 million from \$9.3 million for Fiscal 2003, primarily due to decreased wholesale sales, decreased gross margin as a percentage of net sales, reflecting increased markdowns and increased cost of product related to changes in the euro-dollar exchange rate, and to slightly increased expenses as a percentage of net sales.

Dockers Footwear

	Fiscal Year Ended		% Change
	2004	2003	
	(dollars in thousands)		
Net sales	\$ 60,274	\$ 78,497	(23.2)%
Operating income	\$ 4,548	\$ 8,506	(46.5)%
Operating margin	7.5%	10.8%	

Dockers Footwear's net sales decreased 23.2% to \$60.3 million for Fiscal 2004 from \$78.5 million for Fiscal 2003. Factors reflected in the sales decline included a decline in sales in certain accounts reflecting strategic decisions to change their product offering to include more private label goods, fewer close out shipments than in Fiscal 2003, lower than expected sell-throughs in one of Dockers Footwear's product lines in the first half of Fiscal 2004 and retailers' reducing orders in response to the economic environment. Unit sales for Dockers Footwear decreased 22% for Fiscal 2004 and the average price per pair of shoes decreased 3% for the same period, reflecting changes in sales mix.

Dockers Footwear's operating income for Fiscal 2004 decreased 46.5% from \$8.5 million for Fiscal 2003 to \$4.5 million, primarily due to lower net sales, decreased gross margin as a percentage of net sales and increased expenses as a percentage of net sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for Fiscal 2004 were \$19.9 million compared to \$16.7 million for Fiscal 2003. Corporate and other expenses in Fiscal 2004 included \$1.9 million in restructuring and other charges and a \$2.6 million charge for the early retirement of debt related to the redemption of the Company's 5 1/2% Convertible Subordinated Notes due 2005. Corporate and other expenses in Fiscal 2003 included \$2.8 million in restructuring and other charges and \$0.6 million of expenses relating to consideration of a possible strategic acquisition and severance charges. The increase is attributable primarily to increased expenses related to the Company's new distribution center, which began limited operations in the second quarter of Fiscal 2003, partially offset by lower bonus accruals.

[Table of Contents](#)

Interest expense decreased 7.5% from \$8.5 million in Fiscal 2003 to \$7.9 million in Fiscal 2004, due to the decrease in interest rates on the Company's long-term debt from 5 1/2% on \$103 million borrowings to 4 1/8% on \$86 million borrowings. There were no borrowings under the Company's revolving credit facility during Fiscal 2004. Borrowings under the Company's revolving credit facility averaged less than \$0.1 million for Fiscal 2003.

Interest income decreased 9.1% from \$0.7 million in Fiscal 2003 to \$0.6 million in Fiscal 2004, due to decreases in interest rates which more than offset interest on the cash proceeds of the convertible subordinated debenture offering during the 30-day call period in the second quarter of Fiscal 2004 for the convertible subordinated notes.

Liquidity and Capital Resources

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

	Jan. 29, 2005	Jan. 31, 2004 (dollars in millions)	Feb. 1, 2003
Cash and cash equivalents	\$ 60.1	\$ 81.5	\$ 55.9
Working capital	\$ 176.2	\$ 197.6	\$ 183.7
Long-term debt	\$ 161.3	\$ 86.3	\$ 103.2

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 flow from operations has been generated principally in the fourth quarter of each fiscal year.

Cash provided by operating activities was \$99.8 million in Fiscal 2005 compared to \$68.6 million in Fiscal 2004. The \$31.2 million increase in cash flow from operating activities reflects primarily an increase in cash flow from a \$20.1 million increase in net earnings, a \$6.7 million increase in depreciation and a change in other accrued liabilities of \$20.8 million, offset by decreases in cash flow from changes in accounts receivable, accounts payable and inventory of \$11.5 million, \$11.2 million and \$6.6 million, respectively. The \$20.8 million increase in cash flow from other accrued liabilities was primarily due to increased bonus accruals. The \$11.5 million decrease in cash flow from accounts receivable was primarily due to increased wholesales sales. The \$11.2 million decrease in cash flow from accounts payable was primarily due to seasonal declines in Hat World accounts payable from acquisition date and changes in buying patterns. The \$6.6 million decrease in cash flow from inventory was due to growth in the retail businesses and the addition of Hat World.

The \$5.2 million increase in inventories at January 29, 2005 from January 31, 2004 levels primarily reflects increases in retail inventory to support new store growth.

Accounts receivable at January 29, 2005 increased \$4.9 million compared to January 31, 2004 primarily due to increased wholesale sales.

[Table of Contents](#)

Cash provided by operating activities was \$68.6 million in Fiscal 2004 compared to \$46.6 million in Fiscal 2003. The \$22.0 million increase in cash flow from operating activities reflects primarily an increase in cash flow from changes in inventory, accounts receivable and other accrued liabilities of \$27.2 million, \$6.2 million and \$5.2 million, respectively. The \$27.2 million improvement in cash flow from inventory was due to slower growth in our retail inventory and a reduction in the wholesale inventory as the Company tried to align its inventories more closely with sales growth. The \$6.2 million improvement in cash flow from accounts receivable was due to the lower wholesale sales. The \$5.2 million improvement in cash flow from other accrued liabilities was due to increased tax accruals due to lower tax payments of \$5.4 million compared to Fiscal 2003. These increases were offset in part by a \$7.8 million decrease in cash flow from changes in accounts payable primarily due to changes in buying patterns and a \$7.9 million decrease in net earnings.

The \$1.4 million decrease in inventories at January 31, 2004 from February 1, 2003 levels primarily reflects decreases in wholesale inventory.

Accounts receivable at January 31, 2004 decreased \$6.6 million compared to February 1, 2003, primarily due to decreased wholesale sales.

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

	Fiscal Year Ended		
	2005	2004	2003
		(in thousands)	
Accounts payable	\$ (6,902)	\$ 4,305	\$ 12,142
Accrued liabilities	21,341	530	(4,637)
	<u>\$ 14,439</u>	<u>\$ 4,835</u>	<u>\$ 7,505</u>

The differences in accounts payable for Fiscal 2005 from Fiscal 2004 are due primarily from seasonal declines in Hat World accounts payable from acquisition date and for Fiscal 2004 from Fiscal 2003 are due to changes in buying patterns, inventory levels and payment terms negotiated with individual vendors. The change in accrued liabilities in Fiscal 2005 was due primarily to increased bonus accruals. The change in accrued liabilities in Fiscal 2004 was due primarily to increased tax accruals offset by lower bonus and interest accruals.

Revolving credit borrowings averaged \$5.2 million during Fiscal 2005 compared to no borrowings for Fiscal 2004, as cash generated from operations and cash on hand funded most of the seasonal working capital requirements and capital expenditures during Fiscal 2005. On April 1, 2004, the Company entered into a new credit agreement with ten banks, providing for a \$100.0 million, five-year term loan and a \$75.0 million five-year revolving credit facility.

Table of Contents

The following tables set forth aggregate contractual obligations and commitments as of January 29, 2005, excluding contractual interest obligations.

(in thousands)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Long-Term Debt	\$ 161,250	\$ -0-	\$ 42,000	\$ 33,000	\$ 86,250
Capital Lease Obligations	381	357	2	2	20
Operating Lease Obligations	605,646	101,491	187,916	147,484	168,755
Purchase Obligations*	208,009	208,009	-0-	-0-	-0-
Other Long-Term Liabilities**	1,667	166	399	399	703
Total Contractual Obligations	\$ 976,953	\$ 310,023	\$ 230,317	\$ 180,885	\$ 255,728

(in thousands)	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1-3 years	3-5 years	More than 5 years
Commercial Commitments					
Letters of Credit	\$ 11,114	\$ 11,114	\$ -0-	\$ -0-	\$ -0-
Total Commercial Commitments	\$ 11,114	\$ 11,114	\$ -0-	\$ -0-	\$ -0-

*Open purchase orders for inventory.

**Long-Term Liabilities include a \$28.3 million pension liability. There is no required contribution for the pension plan in Fiscal 2006. However, the Company made a \$7.0 million contribution in March 2005.

Capital Expenditures

Capital expenditures were \$39.5 million, \$22.5 million and \$40.3 million for Fiscal 2005, 2004 and 2003, respectively. The \$17.0 million increase in Fiscal 2005 capital expenditures as compared to Fiscal 2004 resulted primarily from the addition of Hat World. The \$17.8 million decrease in Fiscal 2004 capital expenditures as compared to Fiscal 2003 resulted primarily from expenditures for the new distribution center which began operations in Fiscal 2003.

Total capital expenditures, net of tenant allowances, in Fiscal 2006 are expected to be approximately \$47.0 million, net of tenant allowances. These include expected retail capital expenditures of \$42.5 million to open approximately 65 Journeys stores, 10 Journeys Kidz stores, 6 Johnston & Murphy stores and factory stores, 25 Underground Station stores, and 90 Hat World stores and to complete 81 major store renovations, including five conversions of Jarman stores to Underground Station stores. The planned amount of capital expenditures in Fiscal 2006 for wholesale operations and other purposes are expected to be approximately \$4.5 million, including approximately \$2.5 million for new systems to improve customer service and support the Company's growth.

Future Capital Needs

The Company used proceeds from the \$100.0 million term loan and cash on hand to purchase Hat World. The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its planned capital expenditures through Fiscal 2006, although the Company plans to borrow under its credit facility from time to time, particularly in the fall, to support seasonal working capital requirements. The approximately \$4.1 million of costs associated with discontinued operations that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand and borrowings under the revolving credit agreement.

In total, the Company's board of directors has authorized the repurchase, from time to time, of up to 7.5 million shares of the Company's common stock. There were 398,300 shares remaining to be repurchased under these authorizations as of January 29, 2005. The board has subsequently reduced the repurchase authorization to 100,000 shares in view of the Hat World acquisition. Any purchases would be funded from available cash and borrowings under the revolving credit agreement. The Company has repurchased a total of 7.1 million shares at a cost of \$71.3 million under a series of authorizations since Fiscal 1999. The Company did not repurchase any shares during Fiscal 2005.

There were \$11.1 million of letters of credit outstanding under the revolving credit agreement at January 29, 2005, leaving availability under the revolving credit agreement of \$63.9 million. The revolving credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage and lease adjusted debt to EBITDAR ratios. The Company was in compliance with these financial covenants at January 29, 2005.

The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to common stock, including repurchases (although the Company may make payments with respect to preferred stock). At January 29, 2005, \$9.7 million was available for such payments related to common stock. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, \$2.30 Series 1, \$4.75 Series 3 and \$4.75 Series 4, and on its \$1.50 Subordinated Cumulative Preferred Stock is \$292,000.

On April 1, 2004, the Company entered into a credit agreement with Bank of America, N.A. and certain other lenders, providing for a \$100.0 million five year term loan and a revolving credit facility of \$75.0 million. The proceeds of the term loan were used to fund a portion of the purchase price for the Hat World acquisition. The revolving credit facility is available for working capital and general corporate purposes, and provides for the issuance of commercial and standby letters of credit.

Quarterly principal amortization of the term loan commenced during the fourth quarter of Fiscal 2005, and the final maturity of the term loan and the revolving credit facility occurs on April 1, 2009. Mandatory prepayments are required in connection with certain asset dispositions, debt issuances and equity issuances. Interest and fees are determined according to a price grid providing margins over LIBOR and an alternate base rate. The applicable margins are determined by the Company's leverage (lease adjusted debt to EBITDAR) ratio.

[Table of Contents](#)

These credit facilities are guaranteed by each subsidiary of the Company whose assets exceed 5% of the consolidated assets of the Company and its subsidiaries or whose revenue or net income exceeds 10% of the consolidated net income of the Company and its subsidiaries. These credit facilities are secured by substantially all of the material assets of the Company and the guarantors.

The credit agreement requires the Company to maintain a consolidated tangible net worth in excess of a specified amount that is adjusted in accordance with the Company's consolidated net income. The credit agreement also requires the Company to meet specified ratio requirements with respect to leverage (lease adjusted debt to EBITDAR) and fixed charge coverage, and restricts the making of capital expenditures. The credit agreement also contains negative covenants restricting, among other things, indebtedness, liens, investments (including acquisitions), fundamental changes and restricted payments (including repurchasing the Company's common stock or declaring cash dividends in respect thereof).

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 14 to the Company's Consolidated Financial Statements. The Company has made provisions for certain of these contingencies, including approximately \$0.9 million reflected in Fiscal 2005, \$1.8 million reflected in Fiscal 2004 and \$0.3 million reflected in Fiscal 2003. 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 \$86.3 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 related to the debentures, due to fluctuations in market interest rates. The Company's \$75.0 million outstanding under the term loan bears interest according to a pricing grid providing margins over LIBOR or Alternate Base Rate. The Company entered into three separate interest rate swap agreements as a means of managing its interest rate exposure on the \$75.0 million. The aggregate notional amount of the swaps is \$65.0 million. At January 29, 2005, the net gain on these interest rate swaps was \$0.2 million. As of January 29, 2005, a 1% adverse change in the three month LIBOR interest rate would increase the Company's interest expense on the \$75.0 million term loan by approximately \$0.1 million on an annual basis.

[Table of Contents](#)

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 January 29, 2005. As a result, the Company considers the interest rate market risk implicit in these investments at January 29, 2005 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 January 29, 2005, the Company had \$12.8 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 gain on contracts outstanding at January 29, 2005 was \$0.1 million based on current spot rates. As of January 29, 2005, a 10% adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts by approximately \$1.4 million.

Accounts Receivable – The Company’s accounts receivable balance at January 29, 2005 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 8% of the Company’s trade accounts receivable balance as of January 29, 2005. The Company monitors the credit quality of its customers and establishes an allowance for doubtful accounts based upon factors surrounding credit risk, historical trends and other information; 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 January 29, 2005, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company’s consolidated financial position, results of operations or cash flows for Fiscal 2006 would not be material. However, fluctuations in foreign currency exchange rates could have a material effect on the Company’s consolidated financial position, results of operations or cash flows for Fiscal 2006.

New Accounting Principles

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, “Inventory Costs, an Amendment of ARB No. 43, Chapter 4.” The purpose of this statement is to clarify the accounting of abnormal amounts of idle facility expense, freight, handling costs and waste material. ARB No. 43 stated that under some circumstances these costs may be so abnormal that they are required to be treated as current period costs. SFAS 151 requires that these costs be treated as current period costs regardless if they meet the criteria of “so abnormal.” The provisions of SFAS 151 shall be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Although the Company will continue to evaluate the application of SFAS 151, management does not believe adoption will have a material impact on the Company’s financial position or results of operations.

[Table of Contents](#)

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the Statements of Earnings based on their fair values. Pro forma disclosure is no longer an alternative. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans.

SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005 (the third quarter of Fiscal 2006 for the Company).

SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.
2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

As permitted by SFAS No. 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R)'s fair value method will have a significant impact on our result of operations, although it will have no impact on our overall financial position. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share in Note 1 to our consolidated financial statements. The proforma amounts were calculated using a Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years. As of the date of this filing, the Company has not determined which option pricing model is most appropriate for future option grants or which method of adoption the Company will apply. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were \$3.3 million, \$0.1 million, and \$0.5 million in Fiscal 2005, 2004 and 2003, respectively.

[Table of Contents](#)

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29." SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier application permitted. Although the Company will continue to evaluate the application of SFAS No. 153, management does not believe adoption will have a material impact on the Company's financial position or results of operations.

In November 2004, the Emerging Issues Task Force (EITF) issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." The Consensus addresses when to include contingently convertible debt instruments in diluted earnings per share. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met. The Company's diluted earnings per share calculation for Fiscal 2005 includes an additional 3.9 million shares and a net after tax interest add back of \$2.5 million. The Consensus is effective for periods ending after December 15, 2004 and requires restatement of prior period diluted earnings per share. Earnings per share for the first, second and third quarters of Fiscal 2005 and the third and fourth quarters of Fiscal 2004 as well as the year for Fiscal 2004 have been restated.

Inflation

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

ITEM 7A, QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

[Table of Contents](#)

ITEM 8, FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Management's Report on Internal Control over Financial Reporting	40
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	41
Report of Independent Registered Public Accounting Firm	42
Consolidated Balance Sheets, January 29, 2005 and January 31, 2004	43
Consolidated Statements of Earnings, each of the three fiscal years ended 2005, 2004 and 2003	45
Consolidated Statements of Cash Flows, each of the three fiscal years ended 2005, 2004 and 2003	46
Consolidated Statements of Shareholders' Equity, each of the three fiscal years ended 2005, 2004 and 2003	47
Notes to Consolidated Financial Statements	48

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance that the controls and procedures will meet their objectives.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 29, 2005. In making this assessment, management used the criteria set forth in *Internal Control – Integrated Framework* drafted by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment identified a material weakness in the Company's internal control related to the selection and monitoring of appropriate assumptions and factors affecting accounting for leases and leasehold improvements. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The Company has restated the previously issued Consolidated Financial Statements. See Note 2 to the Consolidated Financial Statements for a full discussion of the effects of these changes to the Company's Consolidated Balance Sheet as of January 31, 2004, as well as on the Company's Consolidated Statements of Earnings and Cash Flows for fiscal years 2004 and 2003. Based on management's assessment, management concluded that, as of January 29, 2005, due solely to the material weakness related to the accounting for leases and leasehold improvements, the Company's internal control over financial reporting was not effective based on those criteria.

Management's assessment of the effectiveness of internal control over financial reporting as of January 29, 2005, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's Consolidated Financial Statements. Ernst & Young's attestation report on management's assessment of the Company's internal control over financial reporting appears on page 41 hereof.

Dated: April 12, 2005

/s/ Hal N. Pennington

Hal N. Pennington
Chairman, President and Chief Executive Officer

/s/ James S. Gulmi

James S. Gulmi
Senior Vice President – Finance and Chief Financial Officer

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

The Board of Directors and Shareholders
Genesco Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Genesco Inc. did not maintain effective internal control over financial reporting as of January 29, 2005, because of the effect of control weaknesses over the selection and monitoring of appropriate assumptions and factors affecting accounting for leases and leasehold improvements, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Genesco Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. Subsequent to January 29, 2005, management identified as a material weakness the Company's controls over the selection and monitoring of appropriate assumptions and factors affecting accounting for leases and leasehold improvements. As a result of this material weakness in internal control, management concluded that certain expenses, assets and liabilities were misstated and that previously issued financial statements should be restated. See Note 2 to the consolidated financial statements for a full discussion of the effects of these changes to the Company's consolidated financial statements. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the Fiscal 2005 consolidated financial statements, and this report does not affect our report dated April 12, 2005 on those financial statements.

In our opinion, management's assessment that Genesco Inc. did not maintain effective internal control over financial reporting as of January 29, 2005, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Genesco Inc. has not maintained effective internal control over financial reporting as of January 29, 2005, based on the COSO control criteria.

/s/ Ernst & Young LLP

Nashville, Tennessee
April 12, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Genesco Inc.

We have audited the accompanying consolidated balance sheets of Genesco Inc. and Subsidiaries (the “Company”) as of January 29, 2005 and January 31, 2004, and the related consolidated statements of earnings, shareholders’ equity and cash flows for each of the three fiscal years in the period ended January 29, 2005. Our audits also included the financial statement schedule referenced in Item 15. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genesco Inc. and Subsidiaries at January 29, 2005 and January 31, 2004, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 29, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the accompanying consolidated balance sheet as of January 31, 2004 and the statements of earnings, shareholders’ equity and cash flows for the fiscal years ended January 31, 2004 and February 1, 2003, have been restated to correct the accounting for leases.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of January 29, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 12, 2005 expressed an unqualified opinion on management’s assessment and an adverse opinion on the effectiveness of the internal control over financial reporting.

/s/ Ernst & Young LLP

Nashville, Tennessee
April 12, 2005

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

	As of Fiscal Year End	
	2005	2004
		(as restated, see Note 2)
Assets		
Current Assets		
Cash and cash equivalents	\$ 60,068	\$ 81,549
Accounts receivable, net of allowances of \$2,166 at January 29, 2005 and \$3,464 at January 31, 2004	17,906	12,515
Inventories	207,197	167,234
Deferred income taxes	2,699	3,640
Prepays and other current assets	18,049	14,835
Total current assets	305,919	279,773
Property and equipment:		
Land	4,972	4,856
Buildings and building equipment	14,565	13,917
Computer hardware, software and equipment	54,445	45,169
Furniture and fixtures	58,679	45,265
Construction in progress	6,085	3,469
Improvements to leased property	158,692	131,079
Property and equipment, at cost	297,438	243,755
Accumulated depreciation	(128,768)	(106,106)
Property and equipment, net	168,670	137,649
Deferred income taxes	329	24,274
Goodwill	97,223	-0-
Trademarks	47,633	-0-
Other intangibles, net of accumulated amortization of \$1,954 at January 29, 2005 and \$-0- at January 31, 2004	6,632	-0-
Other noncurrent assets	9,165	6,617
Total Assets	\$ 635,571	\$ 448,313

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

	Fiscal Year		
	2005	2004 <small>(as restated, see Note 2)</small>	2003 <small>(as restated, see Note 2)</small>
Net sales	\$ 1,112,681	\$ 837,379	\$ 828,307
Cost of sales	561,597	448,601	438,231
Selling and administrative expenses	461,799	332,694	320,989
Restructuring and other, net	1,221	1,854	2,808
Earnings from operations	88,064	54,230	66,279
Loss on early retirement of debt	-0-	2,581	-0-
Interest expense, net:			
Interest expense	11,373	7,902	8,544
Interest income	(411)	(613)	(674)
Total interest expense, net	10,962	7,289	7,870
Earnings before income taxes from continuing operations	77,102	44,360	58,409
Income tax expense	28,642	15,335	22,217
Earnings from continuing operations	48,460	29,025	36,192
Provision for discontinued operations, net	(211)	(888)	(165)
Net Earnings	\$ 48,249	\$ 28,137	\$ 36,027
Basic earnings per common share:			
Continuing operations	\$ 2.19	\$ 1.32	\$ 1.65
Discontinued operations	\$ (.01)	\$ (.04)	\$ (.01)
Net earnings	\$ 2.18	\$ 1.28	\$ 1.64
Diluted earnings per common share:			
Continuing operations	\$ 1.92	\$ 1.24	\$ 1.46
Discontinued operations	\$ (.01)	\$ (.04)	\$ 0.00
Net earnings	\$ 1.91	\$ 1.20	\$ 1.46

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

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

	Fiscal Year		
	2005	2004 (as restated, see Note 2)	2003 (as restated, see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 48,249	\$ 28,137	\$ 36,027
Tax benefit of stock options exercised	3,264	69	516
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation	31,266	24,607	21,788
Deferred income taxes	6,061	(119)	2,200
Provision for losses on accounts receivable	3	271	55
Impairment of long-lived assets	1,017	3,794	2,633
Loss on retirement of debt	85	959	-0-
Restructuring charge (gain)	-0-	(1,940)	176
Provision for discontinued operations	339	1,433	267
Other	3,033	1,566	1,154
Effect on cash of changes in working capital and other assets and liabilities net of acquisitions:			
Accounts receivable	(4,900)	6,564	390
Inventories	(5,192)	1,388	(25,766)
Other current assets	(2,743)	(1,276)	(1,127)
Accounts payable	(6,902)	4,305	12,142
Other accrued liabilities	21,341	530	(4,637)
Other assets and liabilities	4,863	(1,643)	753
Net cash provided by operating activities	99,784	68,645	46,571
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(39,480)	(22,540)	(40,332)
Acquisitions, net of cash acquired	(167,676)	-0-	-0-
Proceeds from sale of property and equipment	12	683	93
Net cash used in investing activities	(207,144)	(21,857)	(40,239)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments of long-term debt	(25,000)	(103,245)	-0-
Payments of capital leases	(480)	-0-	-0-
Long-term borrowings	100,000	86,250	-0-
Stock repurchases	-0-	(1,901)	(4,044)
Change in overdraft balances	5,544	(44)	5,405
Dividends paid	(292)	(294)	(294)
Options exercised and shares issued in employee stock purchase plan	9,467	1,028	2,147
Deferred financing costs	(3,360)	(2,961)	-0-
Other	-0-	(1)	(1)
Net cash provided by (used in) financing activities	85,879	(21,168)	3,213
Net Cash Flows	(21,481)	25,620	9,545
Cash and cash equivalents at beginning of year	81,549	55,929	46,384
Cash and cash equivalents at end of year	\$ 60,068	\$ 81,549	\$ 55,929
Supplemental Cash Flow Information:			
Net cash paid for:			
Interest	\$ 9,854	\$ 8,496	\$ 8,231
Income taxes	23,796	10,630	16,013

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

**Genesco Inc.
and Subsidiaries**
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
Shareholders' equity at February 2, 2002 (as previously reported)	\$ 7,634	\$ 22,331	\$ 98,622	\$ 67,793	\$ (17,336)	\$ (17,857)		\$ 161,187
Cumulative effect of restatement on prior years (see Note 2)	-0-	-0-	-0-	(2,507)	-0-	-0-		(2,507)
Balance February 2, 2002 (as restated, see Note 2)	7,634	22,331	98,622	65,286	(17,336)	(17,857)		158,680
Net earnings	-0-	-0-	-0-	36,027	-0-	-0-	36,027	36,027
Dividends paid	-0-	-0-	-0-	(294)	-0-	-0-	-0-	(294)
Exercise of options	-0-	122	1,443	-0-	-0-	-0-	-0-	1,565
Issue shares - - Employee Stock Purchase Plan	-0-	49	533	-0-	-0-	-0-	-0-	582
Tax effect of exercise of stock options	-0-	-0-	516	-0-	-0-	-0-	-0-	516
Stock repurchases	-0-	(286)	(3,758)	-0-	-0-	-0-	-0-	(4,044)
Gain on foreign currency forward contracts (net of tax of \$0.3 million)	-0-	-0-	-0-	-0-	439	-0-	439	439
Minimum pension liability adjustment (net of tax benefit of \$8.7 million)	-0-	-0-	-0-	-0-	(13,555)	-0-	(13,555)	(13,555)
Other	(35)	6	132	-0-	-0-	-0-	-0-	103
Comprehensive income							22,911	
Balance February 1, 2003	7,599	22,222	97,488	101,019	(30,452)	(17,857)		180,019
Net earnings	-0-	-0-	-0-	28,137	-0-	-0-	28,137	28,137
Dividends paid	-0-	-0-	-0-	(294)	-0-	-0-	-0-	(294)
Exercise of options	-0-	45	624	-0-	-0-	-0-	-0-	669
Issue shares - - Employee Stock Purchase Plan	-0-	32	327	-0-	-0-	-0-	-0-	359
Tax effect of exercise of stock options	-0-	-0-	69	-0-	-0-	-0-	-0-	69
Stock repurchases	-0-	(117)	(1,784)	-0-	-0-	-0-	-0-	(1,901)
Gain on foreign currency forward contracts (net of tax of \$0.6 million)	-0-	-0-	-0-	-0-	985	-0-	985	985
Minimum pension liability adjustment (net of tax of \$2.8 million)	-0-	-0-	-0-	-0-	4,303	-0-	4,303	4,303
Other	(19)	30	(112)	-0-	-0-	-0-	-0-	(101)
Comprehensive income							33,425	
Balance January 31, 2004	7,580	22,212	96,612	128,862	(25,164)	(17,857)		212,245
Net earnings	-0-	-0-	-0-	48,249	-0-	-0-	48,249	48,249
Dividends paid	-0-	-0-	-0-	(292)	-0-	-0-	-0-	(292)
Exercise of options	-0-	667	8,448	-0-	-0-	-0-	-0-	9,115
Issue shares - - Employee Stock Purchase Plan	-0-	25	327	-0-	-0-	-0-	-0-	352
Tax benefit of stock options exercised	-0-	-0-	3,264	-0-	-0-	-0-	-0-	3,264
Loss on foreign currency forward contracts (net of tax benefit of \$0.6 million)	-0-	-0-	-0-	-0-	(905)	-0-	(905)	(905)
Gain on interest rate swaps (net of tax of \$0.1 million)	-0-	-0-	-0-	-0-	157	-0-	157	157
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	101	-0-	101	101
Minimum pension liability adjustment (net of tax benefit of \$0.6 million)	-0-	-0-	-0-	-0-	(491)	-0-	(491)	(491)
Other	(106)	22	354	-0-	-0-	-0-	-0-	270
Comprehensive income							\$ 47,111	
Balance January 29, 2005	\$ 7,474	\$ 22,926	\$ 109,005	\$ 176,819	\$ (26,302)	\$ (17,857)		\$ 272,065

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

**Genesco Inc.
and Subsidiaries**

Notes to Consolidated Financial Statements

Note 1

Summary of Significant Accounting Policies

Nature of Operations

The Company's businesses include the design or sourcing, marketing and distribution of footwear and headwear principally under the *Johnston & Murphy* and *Dockers* brands and the operation at January 29, 2005 of 1,618 *Jarman*, *Journeys*, *Journeys Kidz*, *Johnston & Murphy*, *Underground Station*, *Hat World*, *Lids*, *Hat Zone*, *Cap Connection* and *Headquarters* retail footwear and headwear stores.

Principles of Consolidation

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

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. As a result, Fiscal 2005, Fiscal 2004 and Fiscal 2003 were 52-week years with 364 days each. Fiscal Year 2005 ended on January 29, 2005, Fiscal Year 2004 ended on January 31, 2004 and Fiscal Year 2003 ended on February 1, 2003.

Financial Statement Reclassifications

Certain reclassifications have been made to conform prior years' data to the current year presentation.

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.

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 with similar gross margin, 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 shrink 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 Definite-Lived Long-Lived Assets

The Company periodically assesses the realizability of its definite-lived 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 of the value of definite-lived long-lived assets.

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 14 to the Company's Consolidated Financial Statements. 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 circumstance 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. Catalog and internet sales are recorded at time of delivery to the customer and are net of estimated returns. 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.

Pension Plan Accounting

The Company accounts for the defined benefit pension plans using SFAS No. 87, "Employer's Accounting for Pensions." 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.

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

Cash and Cash Equivalents

Included in cash and cash equivalents at January 29, 2005 and January 31, 2004, are cash equivalents of \$51.3 million and \$71.1 million, respectively. Cash equivalents are highly-liquid debt 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.

At January 29, 2005 and January 31, 2004, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately \$17.6 million and \$12.0 million, respectively. These amounts are included in trade accounts payable.

Concentration of Credit Risk and Allowances on Accounts Receivable

The Company's footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Credit risk is affected by conditions or occurrences within the economy and the retail industry. One customer accounted for 16% of the Company's trade receivables balance as of January 29, 2005 and no other customer accounted for more than 8% of the Company's trade receivables balance as of January 29, 2005.

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 company 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 depreciation expense in the Consolidated Statements of Earnings.

Note 1

Summary of Significant Accounting Policies, Continued

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 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. Rent is recognized on a straight-line basis over the lease term, which includes any rent holiday period.

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.

Goodwill and Other Intangibles

Under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and intangible assets with indefinite lives are no longer amortized, but tested at least annually for impairment. This Statement 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."

Identifiable intangible assets of the Company are primarily goodwill and indefinite-lived trademarks acquired in connection with the acquisition of Hat World Corporation on April 1, 2004. Identifiable intangible assets with finite lives are amortized and those with indefinite lives are not amortized. The estimated useful life of an identifiable intangible asset to the Company is based upon a number of factors including the effects of demand, competition and the level of maintenance expenditures required to obtain future cash flows.

The Company tests for impairment of identifiable 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 leases and customer lists. They are subject to amortization and are evaluated for impairment using a process similar to that used to evaluate other definite-lived long-lived assets. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

Based on the results of its annual review at January 29, 2005, management has determined there are no indicators of impairment requiring further analysis.

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

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

Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments at January 29, 2005 and January 31, 2004 are:

<i>Fair Values</i> In thousands	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term Debt	\$ 86,250	\$ 125,367	\$ 86,250	\$ 94,314

Carrying amounts reported on the balance sheet for cash, cash equivalents, receivables, foreign currency hedges and accounts payable approximate fair value due to the short-term maturity of these instruments.

The fair value of the Company's long-term debt was based on dealer prices on the respective balance sheet dates.

Postretirement Benefits

Substantially all full-time employees, except employees in the Hat World segment, are covered by a defined benefit pension plan. The Company froze the defined benefit pension plan effective January 1, 2005 (see Note 11). 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.

Cost of Sales

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

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

Selling and Administrative Expenses

Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses in the amounts of \$5.9 million, \$8.7 million and \$6.4 million for Fiscal 2005, 2004 and 2003, respectively.

Note 1

Summary of Significant Accounting Policies, Continued

Buying, Merchandising and Occupancy Costs

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.

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. 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 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 (adopted in Fiscal 2002), 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 Statement of Earnings, if 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" (adopted in Fiscal 2003).

Note 1

Summary of Significant Accounting Policies, Continued

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were \$25.0 million, \$20.3 million and \$22.6 million for Fiscal 2005, 2004 and 2003, 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 consolidated balance sheets included prepaid assets for direct response advertising costs of \$1.2 million at January 29, 2005 and \$0.8 million at January 31, 2004.

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 retail 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 retail 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 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 \$2.4 million, \$2.5 million and \$3.5 million in Fiscal 2005, 2004 and 2003, respectively. During Fiscal 2005, 2004 and 2003, the Company's cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

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 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 \$3.7 million, \$2.3 million and \$2.5 million for Fiscal 2005, 2004 and 2003, respectively. During Fiscal 2005, 2004 and 2003, the Company's cooperative advertising reimbursements received were not in excess of the costs reimbursed.

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.

Income Taxes

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount the Company believes is more likely than not to be realized in the foreseeable future.

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 12).

Other Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," requires, among other things, the Company's minimum pension liability adjustment, unrealized gains or losses on foreign currency forward contracts, unrealized gains and losses on interest rate swaps, unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at January 29, 2005 consists of \$27.0 million of cumulative minimum pension liability adjustments, net of tax, cumulative net gains of \$0.4 million on foreign currency forward contracts, net of tax, cumulative net gains of \$0.2 million on interest rate swaps, net of tax, and a \$0.1 million foreign currency translation adjustment.

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 for making internal operating decisions (see Note 15).

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 133") require an entity to recognize all derivatives as either assets or liabilities in the 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.

Note 1**Summary of Significant Accounting Policies, Continued****Stock Incentive Plans**

The Company implemented SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," in the fourth quarter of Fiscal 2003. This statement amends the disclosure provisions of SFAS No. 123, "Accounting for Stock Based Compensation," to require prominent disclosure about the effect on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation and amends Accounting Principles Board (APB) Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information.

As of January 29, 2005, the Company had two fixed stock incentive plans and one restricted stock incentive plan. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, no compensation cost has been recognized other than for its restricted stock incentive plan. The compensation cost that has been charged against income for its restricted stock incentive plans was \$0.4 million, \$0.5 million and \$0.4 million, net of tax, for Fiscal 2005, 2004 and 2003, respectively. There was no additional stock incentive plan compensation reflected in net earnings, as all options granted under the fixed stock incentive plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation cost for all of the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology prescribed by SFAS No. 123 "Accounting for Stock-Based Compensation" (as amended by SFAS No. 148), the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

(In thousands, except per share amounts)	Fiscal Years		
	2005	2004	2003
Net income, as reported	\$ 48,249	\$ 28,137	\$ 36,027
<i>Add:</i> stock-based employee compensation expense included in reported net earnings, net of related tax effects	418	520	444
<i>Deduct:</i> total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,853)	(2,320)	(2,171)
Pro forma net earnings	<u>\$ 45,814</u>	<u>\$ 26,337</u>	<u>\$ 34,300</u>
Earnings per share:			
Basic — as reported	<u>\$ 2.18</u>	<u>\$ 1.28</u>	<u>\$ 1.64</u>
Basic — pro forma	<u>\$ 2.07</u>	<u>\$ 1.20</u>	<u>\$ 1.56</u>
Diluted — as reported	<u>\$ 1.91</u>	<u>\$ 1.20</u>	<u>\$ 1.46</u>
Diluted — pro forma	<u>\$ 1.82</u>	<u>\$ 1.13</u>	<u>\$ 1.39</u>

Note 1

Summary of Significant Accounting Policies, Continued

New Accounting Principles

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4." The purpose of this statement is to clarify the accounting of abnormal amounts of idle facility expense, freight, handling costs and waste material. ARB No. 43 stated that under some circumstances these costs may be so abnormal that they are required to be treated as current period costs. SFAS 151 requires that these costs be treated as current period costs regardless if they meet the criteria of "so abnormal." The provisions of SFAS 151 shall be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Although the Company will continue to evaluate the application of SFAS 151, management does not believe adoption will have a material impact on the Company's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the Statements of Earnings based on their fair values. Pro forma disclosure is no longer an alternative. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans.

SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005 (the third quarter of Fiscal 2006 for the Company).

SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.
2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

Note 1

Summary of Significant Accounting Policies, Continued

As permitted by SFAS No. 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R)'s fair value method will have a significant impact on our results of operations, although it will have no impact on our overall financial position. The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share in Note 1. The proforma amounts were calculated using a Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years. As of the date of this filing, the Company has not determined which option pricing model is most appropriate for future option grants or which method of adoption the Company will apply. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were \$3.3 million, \$0.1 million, and \$0.5 million in Fiscal 2005, 2004 and 2003, respectively.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29." SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier application permitted. Although the Company will continue to evaluate the application of SFAS No. 153, management does not believe adoption will have a material impact on the Company's financial position or results of operations.

In November 2004, the EITF issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." The Consensus addresses when to include contingently convertible debt instruments in diluted earnings per share. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met. The Company's diluted earnings per share calculation for Fiscal 2005 includes an additional 3.9 million shares and a net after tax interest add back of \$2.5 million. The Consensus is effective for periods ending after December 15, 2004 and requires restatement of prior period diluted earnings per share. Earnings per share for the first, second and third quarters of Fiscal 2005 and the third and fourth quarters of Fiscal 2004 as well as the year for Fiscal 2004 have been restated.

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

Note 2
Restatement of Financial Statements

On February 7, 2005, the Office of the Chief Accountant of the SEC issued a letter to the American Institute of Certified Public Accountants expressing its views regarding certain operating lease accounting issues and their application under generally accepted accounting principles (“GAAP”). In light of this letter, the Company’s management initiated a review of the Company’s lease-related accounting methods and determined that the Company’s methods of accounting for (1) amortization of leasehold improvements, (2) leasehold improvements funded by landlord incentives and (3) rent expense prior to commencement of operations and rent payments, while in line with common industry practice, were not in accordance with GAAP. As a result, the Company restated its consolidated financial statements for each of the fiscal years ended January 31, 2004, February 1, 2003, and the first three quarters of Fiscal 2005 included in this Report.

Previously the Company had amortized certain of its leasehold improvements over the lease term, including the first five-year renewal option for initial term leases of 10 years or less. Management determined that the appropriate interpretation of the lease term under SFAS No. 13, “Accounting for Leases,” is the sum of the fixed noncancellable term and any options where, at the inception of the lease, renewal is reasonably assured. Management determined that renewal of the majority of lease terms associated with leasehold improvements whose useful lives included the option period, while expected, were not reasonably assured under SFAS No. 13. Accordingly, the Company accelerated the amortization of those leasehold improvements to coincide with the end of the fixed noncancellable term of the lease, unless the Company would incur an economic penalty for not renewing the lease.

Additionally, the Company had historically accounted for leasehold improvements funded by landlord incentives as reductions in the cost of the related leasehold improvements reflected in the Consolidated Balance Sheets and the capital expenditures reflected in investing activities in the Consolidated Statements of Cash Flows. Management determined that the appropriate interpretation of Financial Accounting Standards Board Technical Bulletin No. 88-1, “Issues Relating to Accounting for Leases,” requires these incentives to be recorded as deferred rent liabilities in the Consolidated Balance Sheets and as a component of operating activities in the Consolidated Statements of Cash Flows. Additionally, this adjustment resulted in a reclassification of the deferred rent amortization from depreciation and amortization expense to rent expense, both included in selling and administrative expenses in the Consolidated Statements of Earnings and included as an additional cost component of capital expenditures in investing activities in the Consolidated Statements of Cash Flows. This adjustment also resulted in additional impairment charges reflected in restructuring and other, net in the Consolidated Statements of Earnings.

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

Note 2

Restatement of Financial Statements, Continued

Finally, the Company had historically recognized rent holiday periods on a straight-line basis over the lease term commencing on the related retail store opening date. The store opening date coincides with the commencement of business operations, which is the intended use of the property. Management re-evaluated Financial Accounting Standards Board Technical Bulletin No. 85-3, "Accounting for Operating Leases with Scheduled Rent Increases," and determined that, consistent with the letter issued by the Office of the Chief Accountant, the lease term should include the pre-opening period of construction, renovation, fixturing and merchandise placement (typically one to two months prior to store opening). The correction of this error requires the Company to record additional deferred rent in other long-term liabilities and to adjust retained earnings in the Consolidated Balance Sheet, as well as to restate rent expense in selling and administrative expenses in the Consolidated Statements of Earnings.

The cumulative effect of these corrections is a reduction to retained earnings of \$2.5 million (net of taxes of \$1.6 million) as of the beginning of Fiscal 2003 and reductions to retained earnings of \$0.2 million (net of taxes of \$0.1 million), \$0.6 million (net of taxes of \$0.4 million) and \$0.3 million (net of taxes of \$0.2 million) for the fiscal years ended 2005, 2004 and 2003, respectively. These adjustments did not have any impact on the overall cash flows of the Company.

Following is a summary of the effects of these changes on the Company's Consolidated Balance Sheet as of January 31, 2004, as well as on the Company's Consolidated Statements of Earnings and Cash Flows for fiscal years 2004 and 2003, (in thousands, except per share amounts):

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

Note 2
Restatement of Financial Statements, Continued

Consolidated Statements of Earnings

	As Previously Reported	Adjustments	As Restated
<i>Fiscal Year Ended January 31, 2004:</i>			
Selling and administrative expenses	\$ 332,674	\$ 20	\$ 332,694
Restructuring and other, net	901	953	1,854
Earnings from operations	55,203	(973)	54,230
Earnings before income taxes from continuing operations	45,333	(973)	44,360
Income tax expense	15,715	(380)	15,335
Net Earnings	\$ 28,730	\$ (593)	\$ 28,137
Net earnings per common share — basic	\$ 1.31	\$ (0.03)	\$ 1.28
Net earnings per common share — diluted	\$ 1.23	\$ (0.03)	\$ 1.20
<i>Fiscal Year Ended February 1, 2003:</i>			
Selling and administrative expenses	\$ 320,833	\$ 156	\$ 320,989
Restructuring and other, net	2,549	259	2,808
Earnings from operations	66,694	(415)	66,279
Earnings before income taxes from continuing operations	58,824	(415)	58,409
Income tax expense	22,379	(162)	22,217
Net Earnings	\$ 36,280	\$ (253)	\$ 36,027
Net earnings per common share — basic	\$ 1.65	\$ (0.01)	\$ 1.64
Net earnings per common share — diluted	\$ 1.47	\$ (0.01)	\$ 1.46

Consolidated Balance Sheet

	As Previously Reported	Adjustments	As Restated
<i>January 31, 2004:</i>			
Deferred income taxes — current	\$ 7,633	\$ (3,993)	\$ 3,640
Property and equipment, net	121,667	15,982	137,649
Deferred income taxes – non-current	18,137	6,137	24,274
Total assets	430,187	18,126	448,313
Total current liabilities*	92,442	(10,238)	82,204
Deferred rent and other long-term liabilities	9,014	31,717	40,731
Retained earnings	132,215	(3,353)	128,862
Total shareholders' equity	215,598	(3,353)	212,245
Total liabilities and shareholders' equity	\$ 430,187	\$ 18,126	\$ 448,313

* Deferred rent reclassified to other long-term liabilities.

Genesco Inc.
and Subsidiaries
Notes to Consolidated Financial Statements

Note 2
Restatement of Financial Statements, Continued

Consolidated Statements of Cash Flows

	As Previously Reported	Adjustments	As Restated
<i>Fiscal Year Ended January 31, 2004:</i>			
Net cash provided by operating activities	\$ 65,626	3,019	\$ 68,645
Net cash used in investing activities	(18,838)	(3,019)	(21,857)
<i>Fiscal Year Ended February 1, 2003:</i>			
Net cash provided by operating activities	\$ 42,515	4,056	\$ 46,571
Net cash used in investing activities	(36,183)	(4,056)	(40,239)

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

Note 3
Acquisitions

Hat World Acquisition

On April 1, 2004, the Company completed the acquisition of 100% of the outstanding common shares of Hat World Corporation ("Hat World") for a total purchase price of approximately \$179 million, including adjustments for \$12.6 million of net cash acquired, a \$1.2 million subsequent working capital adjustment and direct acquisition expenses of \$2.8 million. The release of the final escrow that could result in further adjustments to the purchase price will occur after April 1, 2005. The results of Hat World's operations have been included in the consolidated financial statements since that date. Headquartered in Indianapolis, Indiana, Hat World is a leading specialty retailer of licensed and branded headwear sold through 533 retail stores as of January 29, 2005. The Company believes the acquisition will enhance its strategic development and prospects for growth.

The acquisition has been accounted for using the purchase method in accordance with SFAS No. 141, "Business Combinations." Accordingly, the total purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at acquisition as follows (amounts in thousands):

At April 1, 2004

Inventories	\$ 33,888
Property and equipment	24,278
Unamortizable intangible assets (indefinite-lived trademarks)	47,324
Amortizable intangibles (primarily lease write-up)	8,586
Goodwill	97,223
Other assets	3,817
Accounts payable	(19,036)
Noncurrent deferred tax liability	(22,828)
Other liabilities	(6,934)
Net Assets Acquired	<u>\$ 166,318</u>

The trademarks acquired include the concept names and are deemed to have an indefinite life. Finite-lived intangibles include a \$0.3 million customer list and an \$8.3 million asset to reflect the adjustment of acquired leases to market. The weighted average amortization period for the asset to adjust acquired leases to market is 4.2 years. The goodwill related to the Hat World acquisition is not deductible for tax purposes.

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

Note 3
Acquisitions, Continued

The following pro forma information presents the results of operations of the Company as if the Hat World acquisition had taken place at the beginning of all periods presented in the table below. Pro forma adjustments have been made to reflect additional interest expense from the \$100.0 million in debt associated with the acquisition. The pro forma results of operations include \$2.0 million of non-recurring transaction costs incurred by Hat World for the two months ended March 31, 2004.

In thousands, except per share data	Pro forma	
	2005	2004
Net sales	\$ 1,145,642	\$ 1,036,798
Net earnings	46,799	34,500
Net earnings per share:		
Basic	\$ 2.11	\$ 1.57
Diluted	\$ 1.86	\$ 1.46

The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred had the Hat World acquisition occurred at the beginning of all periods presented.

Cap Connection Acquisition

On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta-based Cap Connection Ltd., consisting of 19 Cap Connection and Headquarters stores at January 29, 2005 in Alberta, British Columbia and Ontario, Canada. The purchase price for the Cap Connection business was approximately \$1.7 million, subject to adjustment, of which approximately \$0.1 million is being held in escrow until certain conditions are met concerning leases. Cap Connection is a leading Canadian specialty retailer of headwear.

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

Note 4
Restructuring and Other Charges and Discontinued Operations

Restructuring and Other Charges

The Company recorded a pretax charge to earnings of \$0.6 million in the fourth quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores and retail store asset impairments. These lease terminations were part of a plan announced by the Company in the fourth quarter of Fiscal 2004 to close 48 stores in Fiscal 2005.

The Company recorded a pretax charge to earnings of \$0.7 million in the third quarter of Fiscal 2005. The charge was primarily for lease terminations of four Jarman stores and retail store asset impairments.

The Company recorded a pretax credit to earnings of \$0.2 million in the second quarter of Fiscal 2005. The credit was primarily for the recognition of a gain on the curtailment of the Company's defined benefit pension plan, offset by charges for retail store asset impairments and lease terminations of four Jarman stores.

The Company recorded a pretax charge to earnings of \$0.1 million in the first quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores.

The Company recorded a pretax charge to earnings of \$2.0 million (\$1.2 million net of tax) in the fourth quarter of Fiscal 2004. The charge included \$3.8 million in asset impairments related to underperforming retail stores identified as suitable for closing if acceptable lease terminations could be negotiated, most of which were Jarman stores. The charge is net of recognition of \$1.8 million of excess restructuring provisions relating to facility shutdown costs originally accrued in Fiscal 2002. In accordance with SFAS No. 146, the Company revised its estimated liability and reduced the lease obligation during the period that the early lease termination was contractually obtained.

In accordance with Company policy, the Company evaluated assets at these identified stores for impairment when a strategic decision was made during the fourth quarter of Fiscal 2004 to pursue the closure of these stores. Assets were determined to be impaired when the revised estimated future cash flows were insufficient to recover the carrying costs. Impairment charges represent the excess of the carrying value over the fair value of those assets.

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

Note 4**Restructuring and Other Charges and Discontinued Operations, Continued**

The Company recorded a pretax charge to earnings of \$2.8 million (\$1.7 million net of tax) in the fourth quarter of Fiscal 2003. The charge included \$2.7 million in asset impairments related to 14 underperforming retail stores identified as suitable for closing if acceptable lease terminations could be negotiated, the payments included in the restructuring provision related to the termination of one of those leases, and \$0.1 million in severance payments. The majority of these costs related to the Johnston & Murphy division.

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

Restructuring Reserves

In thousands	Employee Related Costs	Facility Shutdown Costs	Total
Balance February 1, 2003	\$ 423	\$ 2,928	\$ 3,351
Excess provision August 2, 2003	(132)	(7)	(139)
Excess provision January 31, 2004	(22)	(1,779)	(1,801)
Charges and adjustments, net	(215)	(689)	(904)
Balance January 31, 2004 (included in other accrued liabilities)	54	453	507
Charges and adjustments, net	(54)	(453)	(507)
Balance January 29, 2005	\$ -0-	\$ -0-	\$ -0-

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

Note 4
Restructuring and Other Charges and Discontinued Operations, Continued

Discontinued Operations

For the year ended January 29, 2005, the Company recorded an additional charge to earnings of \$0.3 million (\$0.2 million net of tax) reflected in discontinued operations, including \$1.0 million for anticipated costs of environmental remedial alternatives related to two manufacturing facilities formerly operated by the Company, offset by a \$0.7 million gain for excess provisions to prior discontinued operations (see Note 14).

In the fourth quarter ended January 31, 2004, the Company recorded an additional charge to earnings of \$1.4 million (\$0.9 million net of tax) reflected in discontinued operations, including \$0.6 million for the Company's former Volunteer Leather tannery in Whitehall, Michigan, and \$0.8 million primarily for additional costs of a remedial investigation and feasibility study at its former knitting mill in New York (see Note 14).

Accrued Provision for Discontinued Operations

In thousands	Employee Related Costs	Facility Shutdown Costs	Other	Total
Balance February 1, 2003	\$ 1,433	\$ 1,132	\$ 30	\$ 2,595
Additional provision January 31, 2004	10	1,441	(18)	1,433
Charges and adjustments, net	(1,443)	448	(10)	(1,005)
Balance January 31, 2004	-0-	3,021	2	3,023
Additional provisions Fiscal 2005	-0-	911	-0-	911
Charges and adjustments, net	-0-	1,868	1	1,869
Balance January 29, 2005*	-0-	5,800	3	5,803
Current provision for discontinued operations	-0-	4,122	3	4,125
Total Noncurrent Provision for Discontinued Operations	\$ -0-	\$ 1,678	\$ -0-	\$ 1,678

*Includes \$5.5 million environmental provision including \$3.8 million in current provision for discontinued operations.

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

**Note 5
Inventories**

In thousands	January 29, 2005	January 31, 2004
Raw materials	\$ 212	\$ 142
Wholesale finished goods	28,476	28,900
Retail merchandise	178,509	138,192
Total Inventories	\$ 207,197	\$ 167,234

**Note 6
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 division, the Company enters into foreign currency forward exchange contracts for Euro to make Euro denominated payments 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 payment terms for the merchandise inventories. As a result, there is no hedge ineffectiveness to be reflected in earnings. At January 29, 2005 and January 31, 2004, the Company had approximately \$12.8 million and \$6.6 million, respectively, of such contracts outstanding. Forward exchange contracts have an average remaining term of approximately four months. The gain based on spot rates under these contracts at January 29, 2005 and January 31, 2004 was \$0.1 million and \$0.8 million, respectively. For the year ended January 29, 2005, the Company recorded an unrealized loss on foreign currency forward contracts of \$1.5 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 gains related to forward exchange contracts will be reclassified from accumulated other comprehensive loss into earnings through lower cost of sales over the succeeding year.

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

Note 6
Derivative Instruments and Hedging Activities, Continued

The Company uses interest rate swaps as a cash flow hedge to manage interest costs and the risk associated with changing interest rates of long-term debt. During the first quarter ended May 1, 2004, the Company entered into three separate forward-starting interest rate swap agreements as a means of managing its interest rate exposure on its new \$100.0 million variable rate term loan. All three agreements were effective beginning on October 1, 2004 and are designed to swap a variable rate of three-month LIBOR (2.71% at January 26, 2005, the day the rate was set) for a fixed rate ranging from 2.52% to 3.32%. The aggregate notional amount of the swaps is \$65.0 million. Of the three agreements, the swap agreement with a \$15.0 million notional amount expires on October 1, 2005, the swap agreement with a \$20.0 million notional amount expires on July 1, 2006 and the swap agreement with a \$30.0 million notional amount expires on April 1, 2007. These agreements have the effect of converting certain of the Company's variable rate obligations to fixed rate obligations.

In order to ensure continued hedge effectiveness, the Company intends to elect the three-month LIBOR option for its variable rate interest payments on its term loan as of each interest payment date. Since the interest payment dates coincide with the swap reset dates, the hedges are expected to be perfectly effective. However, because the swaps do not qualify for the short-cut method, the Company will evaluate quarterly the continued effectiveness of the hedge and will reflect any ineffectiveness in the results of operations. As long as the hedge continues to be perfectly effective, net amounts paid or received will be reflected as an adjustment to interest expense and the changes in the fair value of the derivative will be reflected in other comprehensive income.

At January 29, 2005, the net gain of these interest rate swap agreements was \$0.2 million, net of tax, representing the change in fair value of the derivative instruments.

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

Note 7
Long-Term Debt

In thousands	2005	2004
4 1/8% convertible subordinated debentures due June 2023	\$ 86,250	\$ 86,250
Term loan, matures April 1, 2009	75,000	-0-
Revolver borrowings	-0-	-0-
Total long-term debt	161,250	86,250
Current portion, term loan	-0-	-0-
Total Noncurrent Portion of Long-Term Debt	\$ 161,250	\$ 86,250

Long-term debt maturing during each of the next five years ending January is as follows: 2006 – \$-0-, 2007 - \$18,000,000; 2008 - \$24,000,000; 2009 - \$25,500,000; 2010 - \$7,500,000; and thereafter - \$86,250,000.

Credit Agreement:

On April 1, 2004, the Company entered into new credit facilities totaling \$175.0 million with a group of 10 banks, led by Bank of America, N.A. as Administrative Agent. The agreement, as amended April 12, 2005, governing the facilities expires April 1, 2009. The facilities consist of a \$100.0 million term loan (used to fund a portion of the purchase price for the Hat World acquisition) and a \$75.0 million revolving credit facility (which replaced the previous \$75.0 million revolving credit facility). The revolving credit facility is available for working capital and general corporate purposes, and also provides for the issuance of commercial and standby letters of credit. The Company borrowed the \$100.0 million term loan on April 1, 2004. In January 2005, the Company prepaid \$15.0 million of its \$100.0 million term loan that was due in Fiscal 2006. In connection with the prepayment, the Company wrote off less than \$0.1 million of deferred financing costs. The write-off of deferred financing costs is included in selling and administrative expenses on the accompanying Statement of Earnings. The Company had no borrowings outstanding under the revolving credit facility at January 29, 2005. The Company had outstanding letters of credit of \$11.1 million under the facility at January 29, 2005. These letters of credit support product purchases and lease and insurance indemnifications.

Under both the term loan and revolving credit facilities, interest rates and facility fees are determined according to a pricing grid providing margins over LIBOR or an alternate base rate (the higher of the Federal Funds Rate plus 1/2% or the prime rate). The applicable fees and margins are determined by the Company's leverage (lease adjusted debt to earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR")) ratio.

Deferred financing costs incurred of \$3.4 million related to the \$175.0 million credit facilities were capitalized and are being amortized over the expected lives of the facilities. These costs are included in other non-current assets on the Balance Sheet.

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

Note 7
Long-Term Debt, Continued

These credit facilities are guaranteed by each subsidiary of the Company whose assets exceed 5% of the consolidated assets of the Company and its subsidiaries or whose revenue or net income exceeds 10% of the consolidated net income of the Company and its subsidiaries. These credit facilities are secured by substantially all of the material assets of the Company and the guarantors.

The credit agreement requires the Company to maintain a consolidated tangible net worth in excess of a specified amount that is adjusted in accordance with the Company's consolidated net income. The credit agreement also requires the Company to meet specified ratio requirements with respect to leverage (lease adjusted debt to EBITDAR) and fixed charge coverage, and restricts the making of capital expenditures. The credit agreement also contains negative covenants restricting, among other things, indebtedness, liens, investments (including acquisitions), fundamental changes and restricted payments (including repurchasing the Company's common stock or declaring cash dividends in respect thereof). The Company was in compliance with the financial covenants contained in the credit agreement at January 29, 2005.

4 1/8% Convertible Subordinated Debentures due 2023:

On June 24, 2003 and June 26, 2003, the Company issued a total of \$86.3 million of 4 1/8% Convertible Subordinated Debentures due June 15, 2023. The Debentures are convertible at the option of the holders into shares of the Company's common stock, par value \$1.00 per share, if: (1) the price of its common stock issuable upon conversion of a Debenture reaches 120% or more of the initial conversion price (\$26.54 or more) for 10 of the last 30 trading days of the immediately preceding fiscal quarter, (2) specified corporate transactions occur or (3) the trading price for the Debentures falls below certain thresholds. As of January 31, 2005, the debentures became convertible into shares of common stock at the option of the holders. The Company's common stock closed at or above \$26.54 for at least 10 of the last 30 trading days of the fourth quarter of Fiscal 2005. Therefore, the contingency was satisfied. Upon conversion, the Company will have the right to deliver, in lieu of its common stock, cash or a combination of cash and shares of its common stock. Subject to the above conditions, each \$1,000 principal amount of Debentures is convertible into 45.2080 shares (equivalent to an initial conversion price of \$22.12 per share of common stock) subject to adjustment.

The Company will pay cash interest on the debentures at an annual rate of 4.125% of the principal amount at issuance, payable on June 15 and December 15 of each year, commencing on December 15, 2003. The Company will pay contingent interest (in the amounts set forth in the Debentures) to holders of the Debentures during any six-month period from and including an interest payment date to, but excluding, the next interest payment date, commencing with the six-month period ending December 15, 2008, if the average trading price of the Debentures for the five consecutive trading day measurement period immediately preceding the applicable six-month period equals 120% or more of the principal amount of the Debentures.

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

Note 7
Long-Term Debt, Continued

The Company may redeem some or all of the Debentures for cash at any time on or after June 20, 2008 at 100% of their principal amount, plus accrued and unpaid interest, contingent interest and liquidated damages, if any.

Each holder of the Debentures may require the Company to purchase all or a portion of the holder's Debentures on June 15, 2010, 2013 or 2028, at a price equal to the principal amount of the Debentures to be purchased, plus accrued and unpaid interest, contingent interest and liquidated damages, if any, to the purchase date. Each holder may also require the Company to repurchase all or a portion of such holder's Debentures upon the occurrence of a change of control (as defined in the Debentures). The Company may choose to pay the change of control purchase price in cash or shares of its common stock or a combination of cash and shares.

In January 2004, the shelf registration statement filed by the Company for the resale by investors of the Debentures and their common stock issuable upon conversion of the Debentures was declared effective by the Securities and Exchange Commission.

The issuance and sale of the Debentures and the subsequent offering of the Debentures by the initial purchasers were exempt from the registration provisions of the Securities Act of 1933 pursuant to Section 4(2) of such Act and Rule 144A promulgated thereunder. Banc of America Securities LLC, Banc One Capital Markets, Inc., J.P. Morgan Securities Inc. and Wells Fargo Securities, LLC were the initial purchasers of the Debentures.

Deferred financing costs of \$2.9 million relating to the issuance were capitalized and are being amortized over seven years and are included in other non-current assets on the Balance Sheet.

The indenture pursuant to which the Debentures were issued does not restrict the incurrence of Senior Debt by the Company or other indebtedness or liabilities by the Company or any of its subsidiaries.

Concurrent with the issuance of the 4 1/8% Convertible Subordinated Debentures, the Company redeemed \$103.2 million of 5 1/2% Convertible Subordinated Notes due 2005, resulting in a \$2.6 million loss on early retirement of debt (\$1.6 million redemption on premium and \$1.0 million write-off of unamortized deferred financing costs) included in the Consolidated Statement of Earnings for Fiscal 2004.

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

Note 8
Commitments Under Long-Term Leases

Operating Leases

The Company leases its office space and all of its retail store locations and transportation equipment under various noncancelable operating leases. The leases have varying terms and expire at various dates through 2017. The store leases typically have initial terms of between 5 and 10 years. Generally, most of the leases require the Company to pay taxes, insurance and maintenance costs.

Rental expense under operating leases of continuing operations was:

In thousands	2005	2004	2003
Minimum rentals	\$ 94,561	\$ 69,095	\$ 63,252
Contingent rentals	3,741	3,021	3,155
Sublease rentals	(1,186)	(1,314)	(1,335)
Total Rental Expense	\$ 97,116	\$ 70,802	\$ 65,072

Minimum rental commitments payable in future years are:

Fiscal Years	In Thousands
2006	\$ 101,491
2007	98,217
2008	89,699
2009	78,836
2010	68,648
Later years	168,755
Total Minimum Rental Commitments	\$ 605,646

Most leases provide for the Company to pay real estate taxes and other expenses and contingent rentals based on sales. Approximately 5% of the Company's leases contain renewal options.

For leases that contain predetermined fixed escalations of the minimum rentals, the related rental expense is recognized on a straight-line basis and the cumulative expense recognized on the straight-line basis in excess of the cumulative payments is included in other accrued liabilities on the balance sheet. 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.

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

Note 9
Shareholders' Equity

Non-Redeemable Preferred Stock

Class (In order of preference)*	Shares Authorized	Number of Shares			Amounts in Thousands			Common Convertible Ratio	No. of Votes
		2005	2004	2003	2005	2004	2003		
Subordinated Serial Preferred (Cumulative)									
Aggregate	3,000,000**	—	—	—	—	—	—	N/A	N/A
\$2.30 Series 1	64,368	36,620	36,920	36,932	\$ 1,465	\$ 1,477	\$ 1,477	.83	1
\$4.75 Series 3	40,449	17,660	18,163	18,163	1,766	1,816	1,816	2.11	2
\$4.75 Series 4	53,764	16,412	16,412	16,412	1,641	1,641	1,641	1.52	1
Series 6	800,000	-0-	-0-	-0-	-0-	-0-	-0-		100
\$1.50 Subordinated Cumulative Preferred									
	5,000,000	30,017	30,017	30,017	900	901	901		1
		100,709	101,512	101,524	5,772	5,835	5,835		
Employees' Subordinated Convertible Preferred									
	5,000,000	63,031	64,326	65,269	1,891	1,930	1,958	1.00***	1
Stated Value of Issued Shares					7,663	7,765	7,793		
Employees' Preferred Stock Purchase Accounts					(189)	(185)	(194)		
Total Non-Redeemable Preferred Stock					\$ 7,474	\$ 7,580	\$ 7,599		

* In order of preference for liquidation and dividends.

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

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

Preferred Stock Transactions

In thousands	Non-Redeemable Preferred Stock	Non-Redeemable Employees' Preferred Stock	Employees' Preferred Stock Purchase Accounts	Total Non-Redeemable Preferred Stock
Balance February 2, 2002	\$ 5,836	\$ 2,000	\$ (202)	\$ 7,634
Other	(1)	(42)	8	(35)
Balance February 1, 2003	5,835	1,958	(194)	7,599
Other	-0-	(28)	9	(19)
Balance January 31, 2004	5,835	1,930	(185)	7,580
Other	(63)	(39)	(4)	(106)
Balance January 29, 2005	\$ 5,772	\$ 1,891	\$ (189)	\$ 7,474

Subordinated Serial Preferred Stock (Cumulative):

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

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

Note 9
Shareholders' Equity, Continued

The Company's shareholders' rights plan grants to common shareholders the right to purchase, at a specified exercise price, a fraction of a share of subordinated serial preferred stock, Series 6, in the event of an acquisition of, or an announced tender offer for, 15% or more of the Company's outstanding common stock. Upon any such event, each right also entitles the holder (other than the person making such acquisition or tender offer) to purchase, at the exercise price, shares of common stock having a market value of twice the exercise price. In the event the Company is acquired in a transaction in which the Company is not the surviving corporation, each right would entitle its holder to purchase, at the exercise price, shares of the acquiring company having a market value of twice the exercise price. The rights expire in August 2010, are redeemable under certain circumstances for \$.01 per right and are subject to exchange for one share of common stock or an equivalent amount of preferred stock at any time after the event which makes the rights exercisable and before a majority of the Company's common stock is acquired.

\$1.50 Subordinated Cumulative Preferred Stock:

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

Employees' Subordinated Convertible Preferred Stock:

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

Common Stock:

Common stock-\$1 par value. Authorized: 80,000,000 shares; issued: January 29, 2005 – 22,925,857 shares; January 31, 2004 - 22,211,661 shares. There were 488,464 shares held in treasury at January 29, 2005 and January 31, 2004. Each outstanding share is entitled to one vote. At January 29, 2005, common shares were reserved as follows: 155,591 shares for conversion of preferred stock; 127,213 shares for the 1987 Stock Option Plan; 2,398,807 shares for the 1996 Stock Option Plan; and 368,487 shares for the Genesco Employee Stock Purchase Plan.

For the year ended January 29, 2005, 667,461 shares of common stock were issued for the exercise of stock options at an average weighted market price of \$13.66, for a total of \$9.1 million; 24,529 shares of common stock were issued for the purchase of shares under the Employee Stock Purchase Plan at an average weighted market price of \$14.31, for a total of \$0.4 million; 19,601 shares were issued to directors for no consideration; and 2,605 shares were issued in miscellaneous conversions of Series 1, Series 3 and Employees' Subordinated Convertible Preferred Stock. The 667,461 options exercised include 647,461 shares of fixed stock options and 20,000 shares of restricted stock (see Note 13).

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

Note 9
Shareholders' Equity, Continued

For the year ended January 31, 2004, 45,262 shares of common stock were issued for the exercise of stock options at an average weighted market price of \$14.79, for a total of \$0.7 million; 32,505 shares of common stock were issued for the purchase of shares under the Employee Stock Purchase Plan at an average weighted market price of \$11.05, for a total of \$0.4 million; 28,176 shares were issued to directors for no consideration; and 952 shares were issued in miscellaneous conversions of Series 1 and Employees' Subordinated Convertible Preferred Stock. The 45,262 options exercised include 17,000 shares of fixed stock options and 28,262 shares of restricted stock (see Note 13). In addition, the Company repurchased and retired 116,800 shares of common stock at an average weighted market price of \$16.27, for a total of \$1.9 million.

For the year ended February 1, 2003, 122,190 shares of common stock were issued for the exercise of stock options at an average weighted market price of \$12.83, for a total of \$1.6 million; 49,676 shares of common stock were issued for the purchase of shares under the Employee Stock Purchase Plan at an average weighted market price of \$11.88, for a total of \$0.6 million; 3,464 shares were issued to directors for no consideration; and 1,322 shares were issued in miscellaneous conversions of Series 1 and Employees' Subordinated Convertible Preferred Stock. In addition, the Company repurchased and retired 286,000 shares of common stock at an average weighted market price of \$14.14, for a total of \$4.0 million.

Restrictions on Dividends and Redemptions of Capital Stock:

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

The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to capital stock, including repurchases (although the Company may make payments with respect to preferred stock). At January 29, 2005, \$9.7 million was available for such payments related to common stock.

The June 24 and June 26, 2003 indentures, under which the Company's 4 1/8% convertible subordinated debentures due 2023 were issued, does not restrict the payment of preferred stock dividends.

Dividends declared for Fiscal 2005 for the Company's Subordinated Serial Preferred Stock, \$2.30 Series 1, \$4.75 Series 3 and \$4.75 Series 4, and the Company's \$1.50 Subordinated Cumulative Preferred Stock were \$292,000 in the aggregate.

Genesco Inc.
and Subsidiaries
Notes to Consolidated Financial Statements

Note 9
Shareholders' Equity, Continued

Changes in the Shares of the Company's Capital Stock

	Common Stock	Non- Redeemable Preferred Stock	Employees' Preferred Stock
Issued at February 2, 2002	22,330,914	101,549	66,671
Exercise of options	122,190	-0-	-0-
Issue shares - - Employee Stock Purchase Plan	49,676	-0-	-0-
Stock repurchase	(286,000)	-0-	-0-
Other	4,786	(25)	(1,402)
Issued at February 1, 2003	22,221,566	101,524	65,269
Exercise of options	45,262	-0-	-0-
Issue shares - - Employee Stock Purchase Plan	32,505	-0-	-0-
Stock repurchase	(116,800)	-0-	-0-
Other	29,128	(12)	(943)
Issued at January 31, 2004	22,211,661	101,512	64,326
Exercise of options	667,461	-0-	-0-
Issue shares - - Employee Stock Purchase Plan	24,529	-0-	-0-
Other	22,206	(803)	(1,295)
Issued at January 29, 2005	22,925,857	100,709	63,031
Less shares repurchased and held in treasury	488,464	-0-	-0-
Outstanding at January 29, 2005	22,437,393	100,709	63,031

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

Note 10
Income Taxes

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

In thousands	2005	2004	2003
Current			
U.S. federal	\$ 20,114	\$ 13,681	\$ 17,211
Foreign	432	357	747
State	2,035	1,416	2,059
Total Current Income Tax Expense	22,581	15,454	20,017
Deferred			
U.S. federal	4,442	(36)	1,940
Foreign	(20)	62	41
State	1,639	(145)	219
Total Deferred Income Tax Expense	6,061	(119)	2,200
Total Income Tax Expense	\$ 28,642	\$ 15,335	\$ 22,217

Discontinued operations were recorded net of income tax benefits of approximately \$0.1 million, \$0.5 million and \$0.1 million in Fiscal 2005, 2004 and 2003, respectively.

As a result of the exercise of non-qualified stock options by the Company's directors and employees during Fiscal 2005, 2004 and 2003, the Company realized a federal income tax benefit of approximately \$3.3 million, \$0.1 million and \$0.5 million, respectively. These tax benefits are accounted for as a decrease in current income taxes payable and an increase in additional paid-in capital.

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

Note 10
Income Taxes, Continued

Deferred tax assets and liabilities are comprised of the following:

In thousands	January 29, 2005	January 31, 2004
Identified intangibles	\$ (21,538)	\$ -0-
Convertible bonds	(2,303)	\$ (707)
Book over tax depreciation	(1,314)	(79)
Total deferred tax liabilities	\$ (25,155)	\$ (786)
Provisions for discontinued operations and restructurings	952	1,304
Deferred rent	8,614	8,377
Inventory valuation	1,251	1,667
Pensions	8,171	9,586
Expense accruals	2,698	3,806
Allowances for bad debts and notes	185	854
Uniform capitalization costs	2,071	1,790
Other	3,000	1,040
Tax net operating loss and credit carryforwards	1,241	276
Deferred tax assets	28,183	28,700
Net Deferred Tax Assets	\$ 3,028	\$ 27,914

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

	2005	2004	2003
U. S. federal statutory rate of tax	35.00%	35.00%	35.00%
State taxes (net of federal tax benefit)	3.09	1.82	2.79
Previously accrued income taxes	(.93)	(2.45)	.00
Other	(.01)	.20	.25
Effective Tax Rate	37.15%	34.57%	38.04%

In Fiscal 2005, the Company received a favorable tax settlement of \$0.5 million and determined approximately \$0.2 million of previously accrued income taxes were no longer required. These amounts are reflected as an income tax benefit in Fiscal 2005.

In Fiscal 2004, the Company determined that approximately \$1.1 million of previously accrued income taxes were no longer required. This amount is reflected as an income tax benefit in Fiscal 2004.

As of January 29, 2005, the Company had a Federal net operating loss carryforward of \$1.9 million, as a result of an acquisition. Internal Revenue Code Section 382 imposes limitations due to ownership changes. The loss expires in tax year 2024.

As of January 29, 2005 and January 31, 2004, the Company had state net operating loss carryforwards of \$13.0 million and \$8.3 million, respectively, expiring in tax years 2010 through 2020.

As of January 29, 2005 and January 31, 2004, the Company had state tax credits of \$0.2 million and \$0.2 million, respectively. These credits expire in tax years 2005 through 2019.

Note 11
Defined Benefit Pension Plans and Other Benefit Plans

Defined Benefit Pension Plans

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

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

Other Defined Benefit Plans

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

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

Note 11
Defined Benefit Pension Plans and Other Benefit Plans, Continued

Assets and Obligations

The following table sets forth the change in benefit obligation for the respective fiscal year:

In thousands	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Benefit obligation at beginning of year	\$ 117,458	\$ 113,490	\$ 3,071	\$ 2,447
Service cost	2,164	2,009	133	95
Interest cost	6,871	7,150	174	150
Plan amendments	-0-	(112)	-0-	-0-
Plan participants' contributions	-0-	-0-	137	137
Benefits paid	(8,931)	(8,384)	(264)	(276)
Actuarial loss	4,681	3,305	12	518
Curtailment gain	(1,642)	-0-	-0-	-0-
Benefit obligation at end of year	\$ 120,601	\$ 117,458	\$ 3,263	\$ 3,071

The following table sets forth the change in plan assets for the respective fiscal year:

In thousands	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Fair value of plan assets at beginning of year	\$ 89,524	\$ 76,045	\$ -0-	\$ -0-
Actual gain on plan assets	8,421	15,892	-0-	-0-
Employer contributions	3,259	5,971	127	139
Plan participants' contributions	-0-	-0-	137	137
Benefits paid	(8,931)	(8,384)	(264)	(276)
Fair value of plan assets at end of year	\$ 92,273	\$ 89,524	\$ -0-	\$ -0-

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

Note 11
Defined Benefit Pension Plans and Other Benefit Plans, Continued

Funded Status

The following table sets forth the funded status of the plans for the respective fiscal year:

In thousands	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Accumulated benefit obligation	\$ (120,601)	\$ (115,141)	\$ (3,263)	\$ (3,071)
Future pay increases	-0-	(2,317)	-0-	-0-
Projected benefit obligation	(120,601)	(117,458)	(3,263)	(3,071)
Assets	92,273	89,524	-0-	-0-
Under funded projected benefit obligation	(28,328)	(27,934)	(3,263)	(3,071)
Prior service cost	-0-	(675)	-0-	-0-
Cumulative net losses	44,514	46,418	1,062	1,104
Minimum pension liability	(44,514)	(43,426)	-0-	-0-
Accrued Benefit Liability	\$ (28,328)	\$ (25,617)	\$ (2,201)	\$ (1,967)

Components of Net Periodic Benefit Cost

In thousands	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Service cost	\$ 2,164	\$ 2,009	\$ 1,686	\$ 133	\$ 95	\$ 86
Interest cost	6,871	7,150	7,304	174	150	151
Expected return on plan assets	(7,492)	(7,781)	(8,341)	-0-	-0-	-0-
Amortization:						
Transition obligation	-0-	-0-	-0-	-0-	-0-	-0-
Prior service cost	(70)	(140)	(123)	-0-	-0-	-0-
Losses	4,015	3,056	823	54	70	65
Net amortization	3,945	2,916	700	54	70	65
Curtailed gain	(605)	-0-	-0-	-0-	-0-	-0-
Net Periodic Benefit Cost	\$ 4,883	\$ 4,294	\$ 1,349	\$ 361	\$ 315	\$ 302

Curtailed

The Company's board of directors approved freezing the Company's defined pension benefit plan in the second quarter ended July 31, 2004, effective January 1, 2005. The action resulted in a curtailment gain of \$0.6 million in the second quarter of Fiscal 2005 which is reflected in the restructuring and other, net line on the accompanying Statement of Earnings.

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

Note 11
Defined Benefit Pension Plans and Other Benefit Plans, Continued

Additional Information

In thousands	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Increase (decrease) in minimum pension liability included in other comprehensive income	1,087	(7,055)	NA	NA

Weighted-average assumptions used to determine benefit obligations

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5.75%	6.125%	5.75%	6.10%
Rate of compensation increase	4.50%*	4.50%	—	—
Measurement date	12-31-2004	12-31-2003	1-29-2005	1-31-2004

Weighted-average assumptions used to determine net periodic benefit costs

	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Discount rate	5.75%	6.125%	6.625%	5.75%	6.10%	6.625%
Expected long-term rate of return on plan assets	8.25%	8.25%	8.50%	—	—	—
Rate of compensation increase	4.50%*	4.50%	4.50%	—	—	—

*The defined benefit pension plan was frozen effective January 1, 2005.

The weighted average discount rate used to measure the benefit obligation for the pension plan decreased from 6.125% to 5.75% from Fiscal 2004 to Fiscal 2005. The decrease in the rate increased the accumulated benefit obligation by \$4.7 million and increased the projected benefit obligation by \$4.7 million. The weighted average discount rate used to measure the benefit obligation for the pension plan decreased from 6.625% to 6.125% from Fiscal 2003 to Fiscal 2004. The decrease in the rate increased the accumulated benefit obligation by \$5.3 million and increased the projected benefit obligation by \$5.4 million.

To develop the expected long-term rate of return on assets assumption, the Company considered historical returns and future expectations. Over the 10 year period ending December 31, 2004, the compound annual returns of the portfolio have averaged 9.6%. Considering this information and the potential for lower future returns due to a generally lower interest rate environment, the Company selected an 8.25% long-term rate of return on assets assumption.

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

Note 11
Defined Benefit Pension Plans and Other Benefit Plans, Continued

Assumed health care cost trend rates at December 31

	2005	2004
Health care cost trend rate assumed for next year	11%	11%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2011	2010

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

(In thousands)	1% Increase in Rates	1% Decrease in Rates
Aggregated service and interest cost	\$ 43	\$ (35)
Accumulated postretirement benefit obligation	\$ 323	\$ (274)

Plan Assets

The Company's pension plan weighted average asset allocations as of December 31, 2004, and 2003, by asset category are as follows:

Asset Category	Plan Assets at December 31	
	2004	2003
Equity securities	64%	64%
Debt securities	31%	32%
Other	5%	4%
Total	100%	100%

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

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

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

Note 11
Defined Benefit Pension Plans and Other Benefit Plans, Continued

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

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

At January 29, 2005 and January 31, 2004, there were no Company related assets in the plan.

Cash Flows

Contributions

There was no ERISA cash requirement for the plan in 2004 and none is projected to be required in 2005. However, the Company's current cash policy is to fund the cost of benefits accruing each year (the "normal cost") plus an amortization of the unfunded accrued liability. The Company made a \$7.0 million contribution in March 2005.

Estimated Future Benefit Payments

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

Estimated future payments	Pension Benefits (\$ in millions)	Other benefits (\$ in millions)
2005	\$ 9.9	\$ 0.2
2006	9.9	0.2
2007	9.6	0.2
2008	9.5	0.2
2009	9.3	0.2
2010 – 2014	43.2	1.2

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

Note 11
Defined Benefit Pension Plans and Other Benefit Plans, Continued

Section 401(k) Savings Plan

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

Concurrent with the January 1, 1996 amendment to the pension plan (discussed previously), the Company amended the 401(k) savings plan to make matching contributions equal to 50% of each employee's contribution of up to 5% of salary. Concurrent with freezing the defined benefit pension plan effective January 1, 2005, the Company amended the 401(k) savings plan. Beginning January 1, 2005, the Company will match 100% of each employee's contribution of up to 3% of salary and 50% of the next 2% of salary. In addition, for those employees hired before December 31, 2004, who were eligible for the Company's cash balance retirement plan before it was frozen, the Company will add an additional contribution of 2 1/2 % of salary to each employee's account. Beginning in calendar 2002, participants are vested in the matching contribution of their accounts on a graduated basis of 25% a year beginning after two years of service. Full vesting occurs after five years of service. Company funds contributed prior to 2002 are not vested until a participant has completed five years of service. The contribution expense to the Company for the matching program was approximately \$1.4 million for Fiscal 2005, \$0.7 million for Fiscal 2004 and \$0.8 million for Fiscal 2003.

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

Note 12
Earnings Per Share

(In thousands, except per share amounts)	For the Year Ended January 29, 2005			For the Year Ended January 31, 2004			For the Year Ended February 1, 2003		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	\$ 48,460			\$ 29,025			\$ 36,192		
Less: Preferred stock dividends	(292)			(294)			(294)		
Basic EPS									
Income available to common shareholders	48,168	22,008	<u>\$ 2.19</u>	28,731	21,742	<u>\$ 1.32</u>	35,898	21,821	<u>\$ 1.65</u>
Effect of Dilutive Securities									
Options		406			235			359	
Convertible preferred stock(1)	-0-	-0-		-0-	-0-		-0-	-0-	
4 1/8% Convertible Subordinated Debentures(2)	2,467	3,899		1,500	2,357		-0-	-0-	
5 1/2% Convertible Subordinated Notes	-0-	-0-		-0-	-0-		3,871	4,906	
Employees' preferred stock(3)		64			65			66	
Diluted EPS									
Income available to common shareholders plus assumed conversions	\$ 50,635	26,377	\$ 1.92	\$ 30,231	24,399	\$ 1.24	\$ 39,769	27,152	\$ 1.46

- (1) The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock is higher than basic earnings per share for Series 1, 3 and 4 for all periods presented. Therefore, conversion of Series 1, 3 and 4 convertible preferred stock is not reflected in diluted earnings per share for all periods presented, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,935, 37,263 and 24,946, respectively.
- (2) These debentures are included in diluted earnings per share effective for periods ending after December 15, 2004. The EITF issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" in November 2004. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met and prior periods should be restated. Fiscal 2004 has been restated to include these shares.
- (3) 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 Subsidiaries**
Notes to Consolidated Financial Statements

Note 12
Earnings Per Share, Continued

Options to purchase 32,000 shares of common stock at \$32.65 per share were outstanding at the end of Fiscal 2005 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

Options to purchase 132,225 shares of common stock at \$16.63 per share, 45,250 shares of common stock at \$17.75 per share, 32,000 shares of common stock at \$32.65 per share, 341,960 shares of common stock at \$17.00 per share, 32,000 shares of common stock at \$23.97 per share, 384,000 shares of common stock at \$16.76 per share and 426,500 shares of common stock at \$17.50 per share were outstanding at the end of Fiscal 2004 but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

Options to purchase 32,000 shares of common stock at \$32.65 per share and 32,000 shares of common stock at \$23.97 per share were outstanding at the end of Fiscal 2003 but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

The weighted shares outstanding reflects the effect of the stock buy back programs of up to 7.5 million shares announced by the Company in Fiscal 1999 - 2003. The Company had repurchased 7.1 million shares as of January 31, 2004. There were 398,300 shares remaining to be repurchased under these authorizations as of January 29, 2005. The board has subsequently reduced the repurchase authorization to 100,000 shares in view of the Hat World acquisition. The Company did not repurchase any shares during Fiscal 2005.

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

Note 13
Stock Incentive Plans and Stock Purchase Plans

The Company's stock-based compensation plans, as of January 29, 2005, are described below. The Company applies APB Opinion 25 and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized other than for its restricted stock incentive plans (see Note 1).

Fixed Stock Incentive Plans

The Company has two fixed stock incentive plans. Under the 1987 Stock Option Plan, the Company may grant options to its management personnel for up to 2.2 million shares of common stock. Under the 1996 Stock Incentive Plan, the Company may grant options to its officers and other key employees of and consultants to the Company as well as directors for up to 4.4 million shares of common stock. Under both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options granted under both plans vest 25% at the end of each year.

Regarding shares issued to outside directors, an automatic grant of restricted stock will be given to outside directors on the date of the annual meeting of shareholders at which an outside director is first elected. The outside director restricted stock shall vest with respect to one-third of the shares each year as long as the director is still serving as a director. Once the shares have vested, the director is restricted from selling, transferring, pledging or assigning the shares for an additional two years. There were 1,198 shares of restricted stock issued to directors for Fiscal 2005 and no shares issued in Fiscal 2004 or 2003. In addition, an outside director may elect irrevocably to receive all or a specified portion of his annual retainers for board membership and any committee chairmanship for the following fiscal year in a number of shares of restricted stock (the "Retainer Stock"). Shares of the Retainer Stock shall be granted as of the first business day of the fiscal year as to which the election is effective, subject to forfeiture to the extent not earned upon the outside director's ceasing to serve as a director or committee chairman during such fiscal year. Once the shares are earned, the director is restricted from selling, transferring, pledging or assigning the shares for an additional four years. There were 5,345 shares, 6,025 shares and 3,464 shares of Retainer Stock issued to directors for Fiscal 2005, 2004 and 2003, respectively.

Annually on the date of the annual meeting of shareholders, beginning in Fiscal 2004, each outside director shall receive restricted stock valued at \$44,000 based on the average of stock prices for the first five days in the month of the annual meeting of shareholders. The outside director restricted stock shall vest with respect to one-third of the shares each year as long as the director is still serving as a director. Once the shares have vested, the director is restricted from selling, transferring, pledging or assigning the shares for an additional two years. There were 15,822 and 22,160 shares of restricted stock issued to directors for Fiscal 2005 and 2004, respectively.

Annually on the date of the annual meeting of shareholders, prior to Fiscal 2004, each outside director received an automatic grant of options to purchase 4,000 shares of common stock at an exercise price equal to the fair market value of the common stock on the date of grant. These stock options became exercisable six months after their respective dates of grant, and expire in ten years. There were 32,000 shares of stock options issued to directors for Fiscal 2003.

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

Note 13
Stock Incentive Plans and Stock Purchase Plans, Continued

The weighted-average fair value of each option granted in the fixed stock incentive plans described above is estimated on the date of grant using the Black-Scholes option-pricing model. The average assumptions used for grants in Fiscal 2005, 2004 and 2003, respectively were expected volatility of 60, 61 and 62 percent each year; risk-free interest rates of 4.3, 4.3 and 4.1 percent; and expected lives of 6.0, 6.0 and 5.4 years, respectively.

A summary of the status of the Company's fixed stock incentive plans as of January 29, 2005, January 31, 2004, and February 1, 2003 and changes during the years ended on those dates is presented below:

Fixed Options	2005		2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,994,060	\$ 15.26	1,649,060	\$ 14.71	1,358,875	\$ 13.72
Granted	555,500	24.66	426,500	17.50	444,000	17.28
Exercised	(647,461)	13.12	(17,000)	11.74	(122,190)	12.81
Forfeited	(8,000)	28.31	(64,500)	16.73	(31,625)	15.65
Outstanding at end of year	<u>1,894,099</u>	<u>\$ 18.70</u>	<u>1,994,060</u>	<u>\$ 15.26</u>	<u>1,649,060</u>	<u>\$ 14.71</u>
Options exercisable at year-end	740,474		1,051,310		776,060	
Weighted-average fair value of options granted during the year	\$ 14.63		\$ 10.57		\$ 10.41	

The following table summarizes information about fixed stock options outstanding at January 29, 2005:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 1/29/05	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 1/29/05	Weighted-Average Exercise Price
\$4.625 - 5.00	15,021	1 years	\$ 4.70	15,021	\$ 4.70
5.50 - 6.50	11,250	3.5	6.06	11,250	6.06
9.625 - 12.75	193,371	2.2	10.56	193,371	10.56
13.00 - 17.75	1,062,957	7.6	16.89	464,832	16.49
23.50 - 32.65	611,500	9.4	24.99	56,000	28.31
\$4.625 - 32.65	<u>1,894,099</u>	<u>7.5</u>	<u>\$ 18.70</u>	<u>740,474</u>	<u>\$ 15.44</u>

Restricted Stock Incentive Plans

On October 16, 2000, a three year long term incentive plan was approved for the Chairman and CEO (at that time) which covers Fiscal 2002 through Fiscal 2004. The incentive plan provides a target payout of \$470,000 in stock. The number of shares to be issued is based on the closing price of the stock on October 16, 2000 or \$16.63 per share which totals 28,262 shares. These shares vest 100% at the end of three years as long as the Chairman and CEO has either remained an employee or director, or (if he has retired) has not violated the terms of a non-compete provision. Compensation cost charged against income for these shares was \$117,000 and \$157,000 in Fiscal 2004 and 2003, respectively. The 28,262 shares were issued in January 2004.

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

Note 13
Stock Incentive Plans and Stock Purchase Plans, Continued

On June 1, 2001, the Company entered into a three year restricted stock agreement with a senior vice president of the Company. The number of shares to be issued was 20,000 shares and those shares were issued in June 2004. Compensation cost charged against income for these shares was \$69,000, \$208,000 and \$208,000 in Fiscal 2005, 2004 and 2003, respectively.

On April 24, 2002, the Company issued restricted stock to the President and CEO of the Company under the 1996 Stock Incentive Plan. The number of shares to be issued is 36,764 shares. Pursuant to the terms of the grant, these shares will vest on April 23, 2005, provided that on such date the grantee has remained continuously employed by the Company since the date of the agreement. Compensation cost charged against income for these shares was \$333,000, \$333,000 and \$250,000 in Fiscal 2005, 2004 and 2003, respectively.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, the Company is authorized to issue up to 1.0 million shares of common stock to qualifying full-time employees whose total annual base salary is less than \$90,000, effective October 1, 2002. Prior to October 1, 2002, the total annual base salary was limited to \$100,000. Under the terms of the Plan, employees can choose each year to have up to 15 percent of their annual base earnings or \$8,500, whichever is lower, withheld to purchase the Company's common stock. The purchase price of the stock is 85 percent of the closing market price of the stock on either the exercise date or the grant date, whichever is less. Under the Plan, the Company sold 24,529 shares, 32,505 shares and 49,676 shares to employees in Fiscal 2005, 2004 and 2003, respectively. Compensation cost is recognized for the fair value of the employees' purchase rights, which was estimated using the Black-Scholes model with the following assumptions for Fiscal 2005, 2004 and 2003, respectively: an expected life of 1 year for all years; expected volatility of 40, 45 and 54 percent; and risk-free interest rates of 2.2, 1.3 and 1.3 percent. The weighted-average fair value of those purchase rights granted in Fiscal 2005, 2004 and 2003 was \$5.31, \$5.54 and \$4.76, respectively. The current employee stock purchase plan expires with the issuance of options on October 1, 2005.

Stock Purchase Plans

Stock purchase accounts arising out of sales to employees prior to 1972 under certain employee stock purchase plans amounted to \$189,000 and \$193,000 at January 29, 2005 and January 31, 2004, respectively, and were secured at January 29, 2005, by 9,820 employees' preferred shares. Payments on stock purchase accounts under the stock purchase plans have been indefinitely deferred. No further sales under these plans are contemplated.

Note 14
Legal Proceedings

Environmental Matters

New York State Environmental Matters

In August 1997, the New York State Department of Environmental Conservation (the “Department”) 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 remediation 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 estimates that the cost of conducting the RIFS and implementing the interim remedial measure will be in the range of \$6.1 million to \$6.3 million, net of insurance recoveries, \$2.7 million of which the Company has already paid.

The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict the extent of its liability, if any, beyond that voluntarily assumed by the consent order. The Company’s voluntary assumption of responsibility for the IRM and the RIFS and its willingness to implement a remedial alternative with respect to the supply wells (described below) were based upon its judgment that such actions were preferable to litigation to determine its liability, if any, for contamination related to the site. The Company intends to continue to evaluate the costs of further voluntary remediation versus the costs and uncertainty of litigation.

As part of its analysis of whether to undertake further voluntary action, the Company has assessed various methods of preventing potential future impact of contamination from the site on two public wells that are in the expected future path of the groundwater plume from the site. The Village of Garden City has proposed the installation at the supply wells of enhanced treatment measures at an estimated cost of approximately \$2.6 million, with estimated future costs of up to \$2.0 million. In the third quarter of Fiscal 2005, the Company provided for the estimated cost of a remedial alternative it considers adequate to prevent such impact and which it would be willing to implement voluntarily. The Village of Garden City has also asserted that the Company is liable for historical costs of treatment at the wells totaling approximately \$3.4 million. Because of evidence with regard to when contaminants from the site of the Company’s former operations first reached the wells, the Company believes it should have no liability with respect to such historical costs.

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

Note 14
Legal Proceedings, Continued

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. While management believes that the Plan should be sufficient to satisfy applicable regulatory standards with respect to the site, until the Plan is finally approved by MDEQ, management cannot provide assurances that no further remediation will be required, estimate the cost of such remediation or predict whether it will have a material effect on the Company's financial condition or results of operations.

Related to all outstanding environmental contingencies, the Company had accrued \$5.5 million as of January 29, 2005, \$2.7 million as of January 31, 2004 and \$1.4 million as of February 1, 2003. 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 balance sheet. Additional pretax provision less insurance proceeds/recoveries realized, totaled approximately \$0.9 million, \$1.8 million and \$0.3 million for Fiscal 2005, 2004 and 2003, respectively. Such amounts were recognized in provision for discontinued operations, net on the accompanying Statements of Earnings.

Insurance Matter

In May 2003, the Company filed a declaratory judgment action in the U.S. District Court for the Middle District of Tennessee against former general liability insurance carriers that underwrote policies covering the Company during periods relevant to the New York State knitting mill matter described above and the matters described above under the caption "Whitehall Environmental Matters." The action sought a determination that the carriers' defense and indemnity obligations under the policies extend to the site. During the third quarter of Fiscal 2005, the Company and the carriers reached definitive settlement agreements and the Company received cash payments from the carriers totaling approximately \$3.0 million in exchange for releases from liability with respect to the two sites. Net of the insurance proceeds, additional pretax provisions totaling approximately \$1.0 million for future remediation expenses associated with the New York State knitting mill matter described above and the Whitehall matter described above, are reflected in the loss from discontinued operations for Fiscal 2005.

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

Note 14
Legal Proceedings, Continued

Other Matters

Patent Action

In January 2003, the Company was named a defendant in an action filed in the United States District Court for the Eastern District of Pennsylvania, *Schoenhaus, et al. vs. Genesco Inc., et al.*, alleging that certain features of shoes in the Company's Johnston & Murphy line infringe the plaintiff's patent, misappropriate trade secrets and involve conversion of the plaintiff's proprietary information and unjust enrichment of the Company. On January 10, 2005, the court granted summary judgment to the Company on the patent claims, finding that the accused products do not infringe the plaintiff's patent. The court subsequently stayed the remainder of the case, pending appeal of the summary judgment to the U.S. Court of Appeals for the Federal Circuit.

California Employment Matter

On October 22, 2004, the Company was named a defendant in a putative class action filed in the Superior Court of the State of California, Los Angeles, *Schreiner vs. Genesco Inc., et al.*, alleging violations of California wages and hours laws, and seeking damages of \$40 million plus punitive damages. The Company has retained counsel and filed an answer denying the material allegations in the complaint, and intends to defend the matter vigorously.

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

Note 15
Business Segment Information

The Company currently operates five reportable business segments (not including corporate): Journeys, comprised of Journeys and Journeys Kidz retail footwear operations; Underground Station Group, comprised of the Underground Station and Jarman retail footwear operations; Hat World, comprised of Hat World, Lids, Hat Zone, Cap Connection and Headquarters retail headwear operations; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Dockers Footwear. All the Company's segments sell footwear or headwear products to either retail or wholesale markets/customers.

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, Underground Station Group and Hat World sell primarily branded products from other companies while Johnston & Murphy and Dockers 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, interest expense, interest income, restructuring charges, loss on early retirement of debt and other, including severance, litigation and professional fees related to an abandoned acquisition during Fiscal 2003.

Fiscal 2005

In thousands	Journeys	Underground Station Group	Hat World	Johnston & Murphy	Dockers	Corporate & Other	Consolidated
Sales	\$ 521,942	\$ 148,039	\$ 216,270	\$ 162,599	\$ 63,985	\$ 323	\$ 1,113,158
Intercompany sales	-0-	-0-	-0-	-0-	(477)	-0-	(477)
Net sales to external customers	\$ 521,942	\$ 148,039	\$ 216,270	\$ 162,599	\$ 63,508	\$ 323	\$ 1,112,681
Segment operating income (loss)	\$ 60,065	\$ 6,963	\$ 30,522	\$ 9,230	\$ 6,075	\$ (23,570)	\$ 89,285
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(1,221)	(1,221)
Earnings (loss) from operations	60,065	6,963	30,522	9,230	6,075	(24,791)	88,064
Interest expense	-0-	-0-	-0-	-0-	-0-	(11,373)	(11,373)
Interest income	-0-	-0-	-0-	-0-	-0-	411	411
Earnings (loss) before income taxes from continuing operations	\$ 60,065	\$ 6,963	\$ 30,522	\$ 9,230	\$ 6,075	\$ (35,753)	\$ 77,102
Total assets	\$ 152,292	\$ 54,216	\$ 219,795	\$ 62,043	\$ 18,469	\$ 128,756	\$ 635,571
Depreciation	12,409	3,727	6,599	2,793	112	5,626	31,266
Capital expenditures	10,858	6,051	12,898	3,154	35	6,484	39,480

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

Note 15
Business Segment Information, Continued

Fiscal 2004

In thousands	Journeys	Underground Station Group	Johnston & Murphy	Dockers	Corporate & Other	Consolidated
Sales	\$ 468,919	\$ 147,812	\$ 160,095	\$ 61,339	\$ 279	\$ 838,444
Intercompany sales	-0-	-0-	-0-	(1,065)	-0-	(1,065)
Net sales to external customers	\$ 468,919	\$ 147,812	\$ 160,095	\$ 60,274	\$ 279	\$ 837,379
Segment operating income (loss)	\$ 54,710	\$ 8,178	\$ 4,089	\$ 4,548	\$ (15,441)	\$ 56,084
Restructuring charge	-0-	-0-	-0-	-0-	(1,854)	(1,854)
Earnings (loss) from operations	54,710	8,178	4,089	4,548	(17,295)	54,230
Interest expense	-0-	-0-	-0-	-0-	(7,902)	(7,902)
Interest income	-0-	-0-	-0-	-0-	613	613
Loss on early retirement of debt	-0-	-0-	-0-	-0-	(2,581)	(2,581)
Earnings (loss) before income taxes from continuing operations	\$ 54,710	\$ 8,178	\$ 4,089	\$ 4,548	\$ (27,165)	\$ 44,360
Total assets	\$ 152,973	\$ 49,979	\$ 63,750	\$ 16,853	\$ 164,758	\$ 448,313
Depreciation	11,966	3,842	2,892	130	5,777	24,607
Capital expenditures	12,712	5,362	1,665	14	2,787	22,540

Fiscal 2003

In thousands	Journeys	Underground Station Group	Johnston & Murphy	Dockers	Corporate & Other	Consolidated
Sales	\$ 436,498	\$ 147,926	\$ 165,269	\$ 80,419	\$ 117	\$ 830,229
Intercompany sales	-0-	-0-	-0-	(1,922)	-0-	(1,922)
Net sales to external customers	\$ 436,498	\$ 147,926	\$ 165,269	\$ 78,497	\$ 117	\$ 828,307
Segment operating income (loss)	\$ 52,826	\$ 12,323	\$ 9,275	\$ 8,506	\$ (13,205)	\$ 69,725
Restructuring charge	-0-	-0-	-0-	-0-	(2,808)	(2,808)
Other	-0-	-0-	-0-	-0-	(638)	(638)
Earnings (loss) from operations	52,826	12,323	9,275	8,506	(16,651)	66,279
Interest expense	-0-	-0-	-0-	-0-	(8,544)	(8,544)
Interest income	-0-	-0-	-0-	-0-	674	674
Earnings (loss) before income taxes from continuing operations	\$ 52,826	\$ 12,323	\$ 9,275	\$ 8,506	\$ (24,521)	\$ 58,409
Total assets	\$ 147,545	\$ 49,296	\$ 66,460	\$ 32,430	\$ 142,125	\$ 437,856
Depreciation	10,804	3,582	3,371	139	3,892	21,788
Capital expenditures	18,101	3,865	2,733	14	15,619	40,332

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

Note 16
Quarterly Financial Information (Unaudited)

(In thousands, except per share amounts)	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Fiscal Year	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	\$225,526	\$192,746	\$245,939	\$179,478	\$288,398	\$212,483	\$352,818	\$252,672	\$1,112,681	\$837,379
Gross margin	110,678	88,092	121,889	83,489	143,368	99,128	175,149	118,069	551,084	388,778
Pretax earnings (loss)(1)	9,390(4)	5,397	7,142(5)	(1,527) (7)	20,074(8)	15,166	40,496(10)	25,324(12)	77,102	44,360
Earnings (loss) from continuing operations(2)	5,806	3,331	4,825	(987)	12,383	9,396	25,446	17,285	48,460	29,025
Net earnings (loss)(2)	5,806	3,331	4,804(6)	(987)	11,943(9)	9,396	25,696(11)	16,397(13)	48,249	28,137
Diluted earnings (loss) per common share: (3)										
Continuing operations	.24	.15	.20	(.05)	.49	.38	.97	.69	1.92	1.24
Net earnings (loss)	.24	.15	.20	(.05)	.47	.38	.98	.65	1.91	1.20

- (1) Pretax earnings (loss) were restated for the lease accounting error. The restated amounts were a decrease of \$30,000, a decrease of \$10,000, an increase of \$78,000, a decrease of \$154,000, a decrease of \$238,000, a decrease of \$26,000, a decrease of \$783,000 and a decrease of \$973,000 for the first quarter of Fiscal 2005 and 2004, the second quarter of Fiscal 2005 and 2004, the third quarter of Fiscal 2005 and 2004 and the fourth quarter and year of Fiscal 2004, respectively (see Note 2).
- (2) Earnings (loss) from continuing operations and net earnings (loss) were restated for the lease accounting error. The restated amounts were a decrease of \$18,000, a decrease of \$6,000, an increase of \$50,000, a decrease of \$96,000, a decrease of \$146,000, a decrease of \$16,000, a decrease of \$475,000 and a decrease of \$593,000 for the first quarter of Fiscal 2005 and 2004, the second quarter of Fiscal 2005 and 2004, the third quarter of Fiscal 2005 and 2004 and the fourth quarter and year of Fiscal 2004, respectively (see Note 2).
- (3) Diluted earnings (loss) per common share from continuing operations and diluted net earnings per share were restated for EITF Consensus No. 04-8. "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" and the lease accounting error. The change for Consensus No. 04-8 was a decrease to diluted earnings (loss) per common share from continuing operations of \$0.02, \$0.01 and \$0.05 for the first quarter, second quarter and third quarter of Fiscal 2005, respectively, and a decrease of \$0.02, \$0.01 and \$0.06 to diluted net earnings per share for the same periods of Fiscal 2005. The third quarter of Fiscal 2005 also decreased an additional \$0.01 for the lease restatement. The change for Consensus No. 04-8 was a decrease to diluted earnings (loss) per common share from continuing operations of \$0.04, \$0.09 and \$0.07 for the third quarter, fourth quarter and year of Fiscal 2004, respectively, and a decrease of \$0.04, \$0.09 and \$0.06 to diluted net earnings per share for the third quarter, fourth quarter and year of Fiscal 2004, respectively. The second quarter, fourth quarter and year of Fiscal 2004 also decreased an additional \$0.01, \$0.02 and \$0.02, respectively, for the lease restatement. Diluted net earnings per share changed by the same amounts for Fiscal 2004 with the exception of the year of Fiscal 2004 which decreased an additional \$0.03 (see Note 2).
- (4) Includes a net restructuring and other charge of \$0.1 million (see Note 4).
- (5) Includes a net restructuring and other credit of \$0.2 million (see Note 4).
- (6) Includes a loss of \$21,000, net of tax, from discontinued operations (see Notes 4 and 14).
- (7) Includes a \$2.6 million loss on the early retirement of debt (see Note 7).
- (8) Includes a net restructuring and other charge of \$0.7 million (see Note 4).
- (9) Includes a loss of \$0.4 million, net of tax, from discontinued operations (see Notes 4 and 14).
- (10) Includes a net restructuring and other charge of \$0.6 million (see Note 4).
- (11) Includes a gain of \$0.3 million, net of tax, from discontinued operations (see Notes 4 and 14).
- (12) Includes a net restructuring and other charge of \$2.0 million (see Note 4).
- (13) Includes a loss of \$0.9 million, net of tax, from discontinued operations (see Notes 4 and 14).

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

None.

ITEM 9A, CONTROLS AND PROCEDURES

- (a) 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 January 29, 2005, the principal executive officer and principal financial officer of the Company have concluded that, due to the material weakness discussed in Management's Report on Internal Control Over Financial Reporting on page 40 hereof, 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 not 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.

- (b) Management's annual report on internal control over financial reporting. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 29, 2005 and the attestation report of Ernst & Young LLP on management's assessment of the Company's internal control over financial reporting are contained on pages 40-41, respectively, of this report.
- (c) Changes in internal control over financial reporting. During the quarter ended January 29, 2005, the Company made changes to enhance the effectiveness of internal controls surrounding information systems security and program changes. The Company also identified and made modifications during the quarter to enhance controls related to the financial statement closing process. The Company has identified significant deficiencies related to accounting for vendor credits, income taxes, and marketable securities. In addition, significant deficiencies were identified related to information systems security and program changes, queries utilized to develop accruals during the financial statement closing process, and entry of inventory cost for one division of the Company. Some of the significant deficiencies related to the lack of sufficient data or time to test the effectiveness of controls remediated during the quarter. The Company expects, provided it is cost effective, that these deficiencies will be addressed and corrected prior to the end of the second quarter of fiscal year 2006. The Company identified a material weakness in internal control related to accounting for leases as discussed in Management's Report On Internal Control Over Financial Reporting. The Company has taken corrective action related to this control. To remediate the material weakness in the Company's internal control over financial reporting, subsequent to year-end, the Company has implemented additional review procedures over the selection and monitoring of appropriate assumptions and factors affecting lease accounting to ensure that accounting principles generally

accepted in the United States are appropriately selected and applied. No additional remediation is necessary to cure the material weakness.

ITEM 9B, OTHER INFORMATION

On April 12, 2005, the Company entered into a First Amendment to the Credit Agreement and Waiver with Bank of America, N.A., as Administrative Agent and L/C Issuer and other Lenders party thereto. The amendment includes an amendment to the capital expenditure covenant contained in the credit agreement which a) defines capital expenditures as net of tenant allowances and b) adjusts the capital expenditure limit to cover Fiscal 2005 and Fiscal 2006 (combined) as well as waives any default that would result from the restatement of prior period financial statements in connection with the changes in lease accounting.

PART III

ITEM 10, DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information required by this item is incorporated herein by reference to the sections entitled "Election of Directors," "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for its annual meeting of shareholders to be held June 22, 2005 to be filed with the Securities and Exchange Commission. Pursuant to General Instruction G(3), certain information concerning the executive officers of the Company appears under the caption "Executive Officers of the Registrant" in this report following Item 4 of Part I.

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

ITEM 11, EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections entitled "Election of Directors – Director Compensation" and "Executive Compensation" in the Company's definitive proxy statement for its annual meeting of shareholders to be held June 22, 2005 to be filed with the Securities and Exchange Commission.

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

Certain information required by this item is incorporated herein by reference to the section entitled "Security Ownership of Officers, Directors and Principal Shareholders" in the Company's definitive proxy statement for its annual meeting of shareholders to be held June 22, 2005 to be filed with the Securities and Exchange Commission.

The following table provides certain information as of January 29, 2005 with respect to our equity compensation plans:

EQUITY COMPENSATION PLAN INFORMATION*

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1)
Equity compensation plans approved by security holders	1,894,099	\$ 18.70	1,000,408
Equity compensation plans not approved by security holders	—	—	—
Total	1,894,099	\$ 18.70	1,000,408

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

*For additional information concerning our equity compensation plans, see the discussion in Note 1 in the Notes to Consolidated Financial Statements — Summary of Significant Accounting Policies - - Stock Incentive Plans and Note 13 — Stock Incentive Plans and Stock Purchase Plans.

ITEM 13, CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the section entitled "Certain Relationships and Related Transactions" in the Company's definitive proxy statement for its annual meeting of shareholders to be held June 22, 2005 to be filed with the Securities and Exchange Commission.

ITEM 14, PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section entitled "Audit Matters" in the Company's definitive proxy statement for its annual meeting of shareholders to be held June 22, 2005 to be filed with the Securities and Exchange Commission.

PART IV

ITEM 15, EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements

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

Management's Report on Internal Control over Financial Reporting
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets, January 29, 2005 and January 31, 2004
Consolidated Statements of Earnings, each of the three fiscal years ended 2005, 2004 and 2003
Consolidated Statements of Cash Flows, each of the three fiscal years ended 2005, 2004 and 2003
Consolidated Statements of Shareholders' Equity, each of the three fiscal years ended 2005, 2004 and 2003
Notes to Consolidated Financial Statements

Financial Statement Schedules

II -Valuation and Qualifying Accounts, each of the three fiscal years ended 2005, 2004 and 2003

All other schedules are omitted because the required information is either not applicable or is presented in the financial statements or related notes. These schedules begin on page 108.

Exhibits

- (2) a. Agreement and Plan of Merger, dated as of February 5, 2004, by and among Genesco Inc., HWC Merger Sub, Inc. and Hat World Corporation. Incorporated by reference to Exhibit (2)a to the current report on Form 8-K filed April 9, 2004 (File No. 1 - 3083).
- (3) a. Amended and Restated Bylaws of Genesco Inc. Incorporated by reference to Exhibit (3)a to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995.
b. Restated Charter of Genesco Inc., as amended. Incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A/A filed with the SEC on May 1, 2003.
- (4) a. Indenture, dated as of June 24, 2003, between Genesco Inc. and Bank of New York (including Form of 4.125% Convertible Subordinated Debenture due 2023). Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2003.

Table of Contents

- b. Registration Rights Agreement, dated as of June 24, 2003, by and among Genesco Inc., Banc of America Securities, LLC, Banc One Capital Markets, Inc., JP Morgan Securities Inc. and Wells Fargo Securities, LLC. Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2003.
- c. Form of Certificate for the Common Stock. Incorporated by reference to Exhibit 3 to the Company's Registration Statement on Form 8-A/A filed with the SEC on May 1, 2003.
- (10) a. Credit Agreement, dated as of April 1, 2004, by and among Genesco Inc., as Borrower, certain Subsidiaries of the Borrower from time to time party thereto as Guarantors, Bank of America, N.A., as Administrative Agent and L/C Issuer and other Lenders party thereto. Incorporated by reference to Exhibit (10)a to the current report on Form 8-K filed April 9, 2004 (File No. 1 - 3083). First Amendment to Credit Agreement and Waiver, dated as of April 12, 2005 by and among Genesco Inc., as Borrower, certain Subsidiaries of the Borrower from time to time party thereto as Guarantors, Bank of America, N.A., as Administrative Agent and L/C Issuer and other Lenders party thereto.
- b. Form of Revolving Note. Incorporated by reference to Exhibit (10)b to the current report on Form 8-K filed April 9, 2004 (File No. 1 - 3083).
- c. Form of Term Note. Incorporated by reference to Exhibit (10)c to the current report on Form 8-K filed April 9, 2004 (File No. 1 - 3083).
- d. Form of Split-Dollar Insurance Agreement with Executive Officers. Incorporated by reference to Exhibit (10)a to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 1997.
- e. 1987 Stock Option Plan and Form of Stock Option Agreement. Incorporated by reference to Exhibit (10)e to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.
- f. 1996 Stock Incentive Plan as amended and restated, incorporated by reference to Registration Statement on Form S-8 filed May 1, 2003 (File No. 333-104908), and Form of Option Agreement.
- g. 2005 EVA Incentive Compensation Plan. Incorporated by reference to Exhibit (10)i to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004.
- h. 2006 EVA Incentive Compensation Plan.
- i. Form of Indemnification Agreement For Directors. Incorporated by reference to Exhibit (10)m to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.
- j. Supplemental Pension Agreement dated as of October 18, 1988 between the Company and William S. Wire II, as amended January 9, 1993. Incorporated by reference to Exhibit (10)p to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.
- k. Deferred Compensation Trust Agreement dated as of February 27, 1991 between the Company and NationsBank of Tennessee for the benefit of William S. Wire, II, as amended January 9, 1993. Incorporated by reference to Exhibit (10)q to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993.

Table of Contents

- l. Amended and Restated Shareholders Rights Agreement dated as of August 28, 2000. Incorporated by reference to Exhibit 4 to the current report on Form 8-K filed August 30, 2000 (File No. 1-3083).
- m. Form of Employment Protection Agreement between the Company and certain executive officers dated as of February 26, 1997. Incorporated by reference to Exhibit (10)p to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 1997.
- n. Trademark License Agreement, dated August 9, 2000, between Levi Strauss & Co. and Genesco Inc. Incorporated by reference to Exhibit (10.1) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 30, 2004.*
- o. Amendment No. 1 (Renewal) to Trademark License Agreement, dated October 18, 2004, between Levi Strauss & Co. and Genesco Inc. Incorporated by reference to Exhibit (10.2) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 30, 2004.*
- p. Genesco Inc. Deferred Income Plan dated as of July 1, 2000 and Amendment to the Genesco Inc. Deferred Income Plan dated January 1, 2001.
- q. Non-Employee Director and Named Executive Officer Compensation.
- r. 1996 Employee Stock Purchase Plan. Incorporated by reference to Registration Statement on Form S-8 filed September 14, 1995 (File No. 333-62653).

(21) Subsidiaries of the Company.

(23) Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm included on page 106.

(24) Power of Attorney

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

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

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

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

(99) Financial Statements and Report of Independent Registered Public Accounting Firm with respect to the Genesco Employee Stock Purchase Plan being filed herein in lieu of filing Form 11-K pursuant to Rule 15d-21.

Exhibits (10)d through (10)h, (10)m and (10)p through (10)r are Management Contracts or Compensatory Plans or Arrangements required to be filed as Exhibits to this Form 10-K.

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

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

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration Nos. 333-15835, 333-30828, 333-35329, 333-50248, 333-94249, 333-62653, 333-08463, and 333-104908) and in the Registration Statement on Form S-3 (Registration Nos. 333-109019) of Genesco Inc. of our reports dated April 12, 2005, with respect to the consolidated financial statements and schedule of Genesco Inc. and Subsidiaries and the effectiveness of internal control over financial reporting of Genesco Inc., included in this Annual Report (Form 10-K) for the year ended January 29, 2005.

We also consent to the incorporation by reference in the Registration Statement on Form S-8 (Registration No. 333-62653) pertaining to the Genesco Inc. 1996 Employee Stock Purchase Plan of our report dated March 23, 2005 with respect to the January 29, 2005 financial statements of the Genesco Employee Stock Purchase Plan, which is included as an exhibit to this Form 10-K.

/s/ Ernst & Young LLP

Nashville, Tennessee
April 12, 2005

Genesco Inc.

and Subsidiaries

Financial Statement Schedule

January 29, 2005

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

Year Ended January 29, 2005

In Thousands	Beginning Balance	Charged to Profit and Loss	Increases (Decreases)	Ending Balance
Reserves deducted from assets in the balance sheet:				
Allowance for bad debts	\$ 969	(8)	(604) (1)	\$ 357
Allowance for cash discounts	-0-	-0-	5 (2)	5
Allowance for sales returns	1,872	-0-	(728) (3)	1,144
Allowance for customer deductions	208	-0-	(85) (4)	123
Allowance for co-op advertising	415	-0-	122 (5)	537
Totals	\$ 3,464	(8)	(1,290)	\$ 2,166

Year Ended January 31, 2004

In Thousands	Beginning Balance	Charged to Profit and Loss	Increases (Decreases)	Ending Balance
Reserves deducted from assets in the balance sheet:				
Allowance for bad debts	\$ 731	306	(68) (1)	\$ 969
Allowance for sales returns	704	-0-	1,168 (3)	1,872
Allowance for customer deductions	520	-0-	(312) (4)	208
Allowance for co-op advertising	520	-0-	(105) (5)	415
Totals	\$ 2,475	306	683	\$ 3,464

Year Ended February 1, 2003

In Thousands	Beginning Balance	Charged to Profit and Loss	Increases (Decreases)	Ending Balance
Reserves deducted from assets in the balance sheet:				
Allowance for bad debts	\$ 1,076	164	(509) (1)	\$ 731
Allowance for sales returns	1,370	-0-	(666) (3)	704
Allowance for customer deductions	274	-0-	246 (4)	520
Allowance for co-op advertising	290	-0-	230 (5)	520
Totals	\$ 3,010	164	(699)	\$ 2,475

Note: Most subsidiaries and branches charge credit and collection expense directly to profit and loss. Adding such charges of \$12,000 in 2005, \$2,000 in 2004 and \$(4,000) in 2003 to the addition above, the total bad debt expense amounted to \$4,000 in 2005, \$308,000 in 2004 and \$160,000 in 2003.

- (1) Bad debt charged to reserve.
- (2) Adjustment of allowance for estimated discounts to be allowed subsequent to period end on receivables at same date.
- (3) Adjustment of allowance for sales returns to be allowed subsequent to period end on receivables at same date.
- (4) Adjustment of allowance for customer deductions to be allowed subsequent to period end on receivables at same date.
- (5) Adjustment of allowance for estimated co-op advertising to be allowed subsequent to period end on receivables at same date.

FIRST AMENDMENT TO CREDIT AGREEMENT AND WAIVER

THIS FIRST AMENDMENT TO CREDIT AGREEMENT AND WAIVER (this "Amendment") is entered into as of April 12, 2005 among (i) GENESCO INC., a Tennessee corporation (the "Borrower"), (ii) the subsidiaries of the Borrower identified as Guarantors on the signature pages hereto, (iii) the Lenders identified on the signature pages hereto and (iv) BANK OF AMERICA, N.A., as Administrative Agent (the "Administrative Agent"). All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement referred to below.

RECITALS

A. A Credit Agreement dated as of April 1, 2004 (as amended or modified, the "Credit Agreement") has been entered into by and among the Borrower, the Guarantors party thereto (the "Guarantors"), the financial institutions party thereto (the "Lenders") and the Administrative Agent.

B. The Borrower, the Guarantors and the Required Lenders have agreed to an amendment and waiver of the terms of the Credit Agreement as set forth below.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment to Section 8.12 of the Credit Agreement. Section 8.12 of the Credit Agreement is hereby amended by replacing such section in its entirety with the following:

"8.12 CAPITAL EXPENDITURES.

Make or become legally obligated to make any expenditure in respect of the purchase or other acquisition of any fixed or capital asset (excluding normal replacements and maintenance which are properly charged to current operations and net of any tenant allowances or other payments, credits or reimbursements related to capital expenditures for leasehold improvements), except for capital expenditures in the ordinary course of business not exceeding, in the aggregate for the Borrower and its Subsidiaries during each fiscal year period set forth below, the amount set forth opposite such fiscal year period:

FISCAL YEAR PERIOD	AMOUNT
-----	-----
2005 through 2006 (combined)	\$91,000,000
2007	\$45,000,000
2008	\$50,000,000
2009	\$50,000,000

; provided, however, that so long as no Default has occurred and is continuing or would result from such expenditure, any portion of any amount set forth above not to exceed \$3,000,000 per fiscal year period, if not expended in the fiscal year period for which it is permitted above, may be carried over for expenditure in the immediately succeeding fiscal year period."

2. Waiver. The Borrower has informed the Administrative Agent that due to a change in the interpretation of the GAAP requirements for lease accounting it intends to restate certain of its prior period financial statements (including, without limitation, the Audited Financial Statements for the fiscal year ending as of January 31, 2004 which have previously been delivered to the Administrative Agent and the Lenders in connection with the Credit Agreement) (collectively, the "Prior Financial Statements"). The Borrower has asked the Required Lenders to waive any Default or Event of Default that exists or would otherwise result from a misrepresentation with respect to Sections 6.05(a)(i), (ii) and 6.05(d) arising from such restatement of the Prior Financial Statements. The Required Lenders hereby grant a waiver of any Default or Event of Default that exists or would otherwise result from a misrepresentation with respect to Sections 6.05(a)(i), (ii) or 6.05(d) as a result of the restatement of the Prior Financial Statements in connection with the changes in lease accounting or circumstances leading to such restatement to address such changes in lease accounting.

3. Condition Precedent to Effectiveness. The amendment to and waiver of the Credit Agreement set forth herein shall be deemed effective as of the date hereof once the Administrative Agent has received from the Loan Parties and the Required Lenders duly executed counterparts of this Amendment.

4. Representations and Warranties. Each Loan Party hereby represents and warrants to the Administrative Agent and the Lenders that, upon giving effect to this Amendment (a) no Default or Event of Default exists and (b) all of the representations and warranties set forth in the Loan Documents are true and correct in all material respects as of the date hereof (except for those that expressly state that they are made as of an earlier date, in which case they shall be true and correct as of such earlier date).

5. Ratification of Credit Agreement. Except as expressly modified and amended in this Amendment, all of the terms, provisions and conditions of the Loan Documents shall remain unchanged and in full force and effect. The term "this Agreement" or "Credit Agreement" and all similar references as used in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as herein specifically agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

6. Authority/Enforceability. Each of the Loan Parties hereto represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Amendment. The execution, delivery and performance by such Person of this Amendment do not and will not conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of any Loan Party or any of its Subsidiaries or any indenture or other material agreement or instrument to which such Person is a party or by which any of its properties may be bound or the approval of any Governmental Authority relating to such Person except as could not reasonably be expected to have a Material Adverse Effect.

7. Expenses. The Borrower agrees to pay all reasonable costs and expenses in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of Moore & Van Allen PLLC, special counsel to the Administrative Agent.

8. Counterparts/Telecopy. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of executed counterparts by telecopy shall be effective as an original.

9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TENNESSEE.

10. Entirety. This Amendment and the other Loan Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof. These Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no oral agreements between the parties.

11. Acknowledgment of Guarantors. The Guarantors acknowledge and consent to all of the terms and conditions of this Amendment and agree that this Amendment and any documents executed in connection herewith do not operate to reduce or discharge the Guarantors' obligations under the Credit Agreement or the other Loan Documents.

12. Affirmation of Liens. Each Loan Party affirms the liens and security interests created and granted by it in the Loan Documents (including, but not limited to, the Security Agreement, the Mortgage Instruments and the Control Agreements) and agrees that this Amendment shall in no manner adversely affect or impair such liens and security interests.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment, to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

BORROWER:

GENESCO INC.

By: /s/James S. Gulmi

Name: James S. Gulmi
Title: Senior Vice President

GUARANTORS:

GENESCO BRANDS INC.,
a Delaware corporation

By: /s/James S. Gulmi

Name: James S. Gulmi
Title: President

HAT WORLD CORPORATION,
a Delaware corporation

By: /s/James S. Gulmi

Name: James S. Gulmi
Title: Senior Vice President

HAT WORLD INC.,
a Minnesota corporation

By: /s/James S. Gulmi

Name: James S. Gulmi
Title: Senior Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

ADMINISTRATIVE
AGENT:

BANK OF AMERICA, N.A., in its capacity
as Administrative Agent

By: /s/Amy Honey

Name: Amy Honey
Title: Senior Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

LENDERS:

BANK OF AMERICA, N.A.,
as a Lender and L/C Issuer

By: /s/Amy Honey

Name: Amy Honey

Title: Senior Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

LASALLE BANK NATIONAL ASSOCIATION

By: /s/Eric J. Harvey

Name: Eric J. Harvey

Title: Assistant Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

WELLS FARGO FOOTHILL, LLC

By: /s/Donna Arenson

Name: Donna Arenson

Title: Assistant Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

NATIONAL CITY BANK

By: /s/Michael J. Durbin

Name: Michael J. Durbin

Title: Senior Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

SUN TRUST BANK

By: /s/Anson M. Lewis

Name: Anson M. Lewis

Title: Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

U.S. BANK NATIONAL ASSOCIATION

By: /s/Jennifer L. Thurston

Name: Jennifer L. Thurston

Title: Assistant Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

BRANCH BANKING & TRUST COMPANY

By: /s/Natalie B. Nelson

Name: Natalie B. Nelson

Title: Banking Officer

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

FIFTH THIRD BANK

By: /s/David J. Hicks

Name: David J. Hicks

Title: Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

PNC BANK NATIONAL ASSOCIATION

By: /s/Chester A. Misbach, Jr.

Name: Chester A. Misbach, Jr.

Title: Senior Vice President

First Amendment to Credit Agreement and Waiver
Genesco Inc.
April 2005

GENESCO INC.
INCENTIVE STOCK OPTION

[date]

Pursuant to the terms and conditions of the Company's 1996 Stock Incentive Plan, as amended (the "Plan"), you have been granted a non-transferable incentive stock option (the "Option") to purchase [number of shares] of stock as outlined below:

Granted to:

Grant Date:

Options Granted:

Option Price per Share:

Expiration Date:

Vesting Schedule:

By your signature below, you acknowledge that the Option is subject to all the terms and conditions of the Plan. You further acknowledge receipt of a copy of the Plan and agree to conform to all of the terms and conditions of the Option and the Plan. Finally, you acknowledge and agree that the grant of the Option is not a guarantee of continued employment and that this document does not constitute a contract of employment or alter your status as an employee at will.

Signature: _____ Date: _____

NOTE: IF THERE ARE ANY DISCREPANCIES IN THE NAME OR ADDRESS SHOWN ABOVE, PLEASE MAKE THE APPROPRIATE CORRECTIONS ON THIS FORM.

GENESCO INC.

EVA INCENTIVE COMPENSATION PLAN

1. PURPOSE.

The purposes of the Genesco Inc. EVA Incentive Compensation Plan ("the Plan") are to motivate and reward excellence and teamwork in achieving maximum improvement in shareholder value; to provide attractive and competitive total cash compensation opportunities for exceptional corporate and business unit performance; to reinforce the communication and achievement of the mission, objectives and goals of the Company; to motivate managers to think strategically (long term) as well as tactically (short term); and to enhance the Company's ability to attract, retain and motivate the highest caliber management team. The purposes of the Plan shall be carried out by payment to eligible participants of annual incentive cash awards, subject to the terms and conditions of the Plan and the discretion of the Compensation Committee of the board of directors of the Company.

2. AUTHORIZATION.

On February 24, 2004, the Compensation Committee approved the Plan.

3. SELECTION OF PARTICIPANTS.

Participants shall be selected annually by the Chief Executive Officer from among full-time employees of the Company who serve in operational, administrative, professional or technical capacities. The participation and target bonus amounts of Company officers and the Management Committee shall be approved by the Compensation Committee with the advice of the Chief Executive Officer. The Chief Executive Officer shall not be eligible to participate in the Plan.

The Chief Executive Officer shall annually assign participants to a Business Unit. For participants whose Business Unit consists of more than one profit center, the Chief Executive Officer shall determine in advance the relative weight to be given to the performance of each profit center in the calculation of awards. If a participant is transferred to a different business unit during the Plan Year he or she shall be eligible to receive a bonus for each of the Business Units to which the participant was assigned during the Plan Year, prorated for the amount of time worked in each assignment, unless the Chief Executive Officer determines that a different proration is warranted in the circumstances.

In the event of another significant change in the responsibilities and duties of a participant during a Plan Year, the Chief Executive Officer shall have the authority, in his sole discretion, to terminate the participant's participation in the Plan, if such change results in diminished responsibilities, or to

make such changes as he deems appropriate in (i) the target award the participant is eligible to earn, (ii) the participant's applicable goal(s) and (iii) the period during which the participant's applicable award applies.

4. PARTICIPANTS ADDED DURING PLAN YEAR.

A person selected for participation in the Plan after the beginning of a Plan Year will be eligible to earn a prorated portion of the award the participant might have otherwise earned for a full year's service under the Plan during that Plan Year, provided the participant is actively employed as a participant under the Plan for at least 120 days during the Plan Year. The amount of the award, if any, earned by such participant for such Plan Year shall be based on the number of full months of the Plan Year during which the employee participated in the Plan.

5. DISQUALIFICATION FOR UNSATISFACTORY PERFORMANCE.

Any participant whose performance is found to be unsatisfactory or who shall have violated in any material respect the Company's Policy on Legal Compliance and Ethical Business Practices shall not be eligible to receive an award under the Plan in the current Plan Year. The participant shall be eligible to be considered by the Chief Executive Officer for reinstatement to the Plan in subsequent Plan Years. Any determination of unsatisfactory performance or of violation of the Company's Policy on Legal Compliance and Ethical Business Practices shall be made by the Chief Executive Officer. Participants who are found ineligible for participation in a Plan Year due to unsatisfactory performance will be so notified in writing prior to October 31 of the Plan Year.

6. TERMINATION OF EMPLOYMENT.

A participant whose employment is terminated voluntarily or involuntarily, except by reason of death, medical disability or voluntary retirement, prior to the end of a Plan Year shall not be eligible to receive an award under the Plan. A participant who voluntarily retires, is on medical leave of absence or the estate of a participant who dies during the Plan Year will be eligible to receive the sum of a prorated portion of the award (positive or negative) the participant would have otherwise received for a full year's service under the Plan, provided the participant is actively employed as a participant under the Plan for at least 120 days during the Plan Year, and the participant's bonus bank (positive or negative). The amount of any award payable to such disabled or retired participant or the estate of such deceased participant shall be based on the number of full months of the Plan Year during which the disabled, retired or deceased employee was classified in the Company's payroll system as an active employee. A participant who has received or is receiving severance pay at the end of the Plan Year shall be considered a terminated employee and shall not be eligible to receive an award under the Plan.

7. ECONOMIC VALUE ADDED ("EVA") CALCULATION

EVA for a Business Unit or the entire Company, as applicable, shall be the result of a Business Unit's or the Company's net operating profit after taxes less a charge for capital employed by that Business Unit or the Company. The Company will track the change in EVA by Business Unit over each Plan Year for the purpose of determining bonus as further described below.

8. AMOUNT OF AWARDS.

Participants are eligible to earn cash awards based on (i) change in EVA for a Business Unit and (ii) achievement of individual Performance Plan Goals to be approved by the Chief Executive Officer prior to March 31 of each Plan Year. Prior to the beginning of each Plan Year, the Chief Executive Officer will establish for each Business Unit and for the Company as a whole target levels of expected changes in EVA for each Business Unit and for the Company for such Plan Year and a range of multiples to be applied to the participant's target bonus based on actual performance for the Plan Year. The multiple related to Business Unit performance is referred to as the "Business Unit Multiple." If a participant's Business Unit is comprised of more than one profit center, the Chief Executive Officer shall determine the relative weight to be assigned to each profit center's Business Unit Multiple. The Business Unit Multiple for such participant shall be the weighted average of the Business Unit Multiples for each profit center comprising the participant's Business Unit. The multiple related to the performance of the Company as a whole is referred to as the "Corporate Multiple." The Corporate Multiple and Business Unit Multiples may be positive or negative and may consist of whole numbers or fractions. Not later than March 31 the Plan Year, the participant and the participant's supervisor shall agree on a set of strategic performance objectives for the participant for the Plan Year (the "Performance Plan Goals").

The "Declared Bonus" shall be determined as follows:

For participants who are Business Unit Presidents, the Declared Bonus shall equal the sum of (A) the Business Unit Multiple times one-half the participant's target bonus plus (B) the Corporate Multiple times one-quarter of the participant's target bonus plus (C) the percentage of the participant's achievement of his or her Performance Plan Goals determined by the participant's supervisor (the "Performance Plan Percentage") times one-quarter of the participant's target bonus times the Business Unit Multiple; provided, however that if the Business Unit Multiple is a negative number, the Performance Plan Percentage shall be 100%.

For other Business Unit participants, the Declared Bonus shall equal the sum of (A) the Business Unit Multiple times 75% of the participant's target bonus plus (B) the Business Unit Multiple times 25% of the participant's target bonus times the Performance Plan Percentage; provided, however that if the Business Unit Multiple is a negative number, the Performance Plan Percentage shall be 100%.

For the Corporate Staff participants, the Declared Bonus shall equal the sum of (A) the Corporate Multiple times 75% of the participant's target bonus plus (B) the Corporate Multiple times 25% of

the participant's target bonus times the Performance Plan Percentage; provided that, if the Corporate Multiple is a negative number, the Performance Plan Percentage shall be 100%.

Each participant shall have a balance in a "Bonus Bank" consisting of the cumulative total since the first year of such participant's participation in the Plan of (i) all of the participant's negative Declared Bonuses and (ii) all of participant's positive Declared Bonuses not distributed because of payout limitations. The sum of the participant's Declared Bonus for the current Plan Year and the participant's Bonus Bank balance (positive or negative) will constitute the "Available Bonus." A participant's Bonus Payout at the end of the Plan Year shall be equal to the lesser of (A) the Available Bonus or (B) the sum of (i) the Declared Bonus, up to three times the participant's target bonus for the Plan Year plus (ii) one-third of the participant's Bonus Bank balance, if positive, after the addition to the Bonus Bank of any amount by which the Declared Bonus exceeds three times the target bonus.

In years in which a positive bonus is earned but a negative bank balance exists to be repaid, participants will be paid 40% of the bonus earned with 60% of the bonus credited to the negative bank.

Positive bank balances that exist from prior years will be fully netted against a negative award in the year the negative award is realized.

Any positive balance in the Bonus Bank shall be payable without interest promptly upon the Company's termination of the participant's employment without "Cause," or upon the participant's death or retirement. "Cause" for termination for purposes of this Plan means any act of dishonesty involving the Company, any violation of the Policy on Legal Compliance and Ethical Business Practices as then in effect, any breach of fiduciary duty owed to the Company, persistent or flagrant failure to follow the lawful directives of the board of directors or of the executive to whom the participant reports or conviction of a felony.

Nothing in this Plan (including but not limited to the foregoing definition of Cause) shall in any manner alter the participant's status as an employee at will or limit the Company's right or ability to terminate the participant's employment for any reason or for no reason at all. Upon termination for Cause or voluntary termination at the participant's instance, any unpaid portion of the "Bonus Bank" will be forfeited by the participant.

9. PAYMENT OF AWARDS.

Any awards payable under the Plan (including awards with respect to participants who die, are placed on medical leave of absence or voluntarily retire during the Plan Year), other than the amount, if any, to be credited to the Bonus Bank, will be made in cash, net of applicable withholding taxes, as soon as reasonably practicable after the end of the Plan Year, but in no event prior to the date on which the Company's audited financial statements for the Plan Year are

reviewed by the audit committee of the Company's board of directors. The positive Bonus Bank balance will be paid in cash, net of applicable withholding taxes, as soon as reasonably practicable after the date on which it becomes payable.

10. PLAN ADMINISTRATION.

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

11. NON-ASSIGNABILITY.

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

12. MISCELLANEOUS.

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

13. BINDING ON SUCCESSORS.

The obligations of the Company under the Plan shall be binding upon any organization which shall succeed to all or substantially all of the assets of the Company, and the term Company, whenever used in the Plan, shall mean and include any such organization after the succession. If the subject matter of this Section 13 is covered by a change-in-control agreement or similar agreement which is more favorable to the participant than this Section 13, such other agreement shall govern to the extent applicable and to the extent inconsistent herewith.

14. DEFINITIONS.

"EVA" means the economic value added to the Company during the Plan Year as determined by the net operating profit in a particular Business Unit as reflected on the Company's books for internal reporting purposes, reduced by the cost of capital.

"BUSINESS UNIT" means any of the Company's profit centers or any combination of two or more of the profit centers, which comprise Genesco Inc.

The "CHIEF EXECUTIVE OFFICER" means the president and chief executive officer of the Company.

The "COMPANY" means Genesco Inc. and any wholly owned subsidiary of Genesco Inc.

The "COMPENSATION COMMITTEE" means the compensation committee of the board of directors of the Company.

"THE "PLAN" means this EVA Incentive Compensation Plan for the Plan Year.

"PLAN YEAR" means the fiscal year of the Company ending January 31, 2006.

The "VICE PRESIDENT HUMAN RESOURCES & ADMINISTRATION" means the vice president Human Resources & Administration of Genesco Inc.

The "MANAGEMENT COMMITTEE" means executives of the Company with a direct reporting relationship to the Chief Executive Officer.

GENESCO INC.
DEFERRED INCOME PLAN
Effective July 1, 2000
(Also referred to as STEP Plus)

PURPOSE

This Plan is maintained for the purpose of providing Participants an opportunity to defer compensation that would otherwise be currently payable to such Participants and to provide the benefits lost under the Salary Deferral Plan and the Retirement Plan by participating in this Plan. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for Directors and a select group of management or highly compensated employees within the meaning of Title I of the Employee Income Retirement Security Act of 1974, as amended.

ARTICLE 1

DEFINITIONS

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the meanings indicated:

- 1.1 "Account Balances" shall mean as of any given date called for under the Plan, the balances of the Participant's Deferral Contribution Account and Company Contribution Account as such accounts have been adjusted to reflect all applicable Investment Adjustments and all prior withdrawals and distributions, in accordance with Article 3 of the Plan.
- 1.2 "Account" shall mean one or more persons, trusts, estates or other entities, designated by the Participant in accordance with Article 10, to receive the Participant's undistributed Account Balance, in the event of the Participant's death.
- 1.3 "Beneficiary Designation Form" shall mean the document which shall be used by the Participant to designate his Beneficiary for the Plan.
- 1.4 "Benefit Distribution Date" shall mean the date distribution of the Participant's Account Balance is triggered and it shall be deemed to occur on the last day of the month coinciding with or next following of the Participant's Termination of Employment for any reason whatsoever, including but not limited to death. For purposes of Section 5.2, it shall mean the last day of the month in which the Committee approves the request. The Participant may elect an irrevocable Benefit Distribution Date that is prior to Termination of Employment (see Section 5.1) on a deferral made pursuant to Section 3.1 at the time such deferral election is made.

- 1.5 "Board" shall mean the board of directors of the Company.
- 1.6 "Change in Control" shall mean the earliest to occur of the following events:
- (a) The consummation of any transaction or series of transactions as a result of which any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than an "Excluded Person" (as hereinafter defined) has or obtains ownership or control, directly or indirectly, of fifty percent (50%) or more of the combined voting power of all securities of the Company or any successor or surviving corporation of any merger, consolidation or reorganization involving the Company (the "Voting Securities"). The term "Excluded Person" means any one or more of the following: (i) the Company or any majority-owned subsidiary of the Company, (ii) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any majority-owned subsidiary of the Company, (iii) any Person who as of the initial effective date of this Plan owned or controlled, directly or indirectly, ten percent (10%) or more of the then outstanding Voting Securities, or any individual, entity or group that was part of such a Person;
 - (b) A merger, consolidation or reorganization involving the Company as a result of which the holders of Voting Securities immediately before such merger, consolidation or reorganization do not immediately following such merger, consolidation or reorganization own or control, directly or indirectly, at least fifty percent (50%) of the Voting Securities in substantially the same proportion as their ownership or control of the Voting Securities immediately before such merger, consolidation or reorganization; or
 - (c) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a majority-owned subsidiary of the Company).
- 1.7 "Compensation" with respect to any Participant shall mean such Participant's wages as defined in Code Section 3401(a) and all other payments of compensation by the Employer for a Plan Year for which the Employer is required to furnish the Participant a written statement under Code Sections 6041(d), 6051(2)(3) and 6052.
- 1.8 "Claimant" shall mean the person or persons described in Section 14.1 who apply for benefits or amounts that may be payable under the Plan.

- 1.9 "Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and other authority issued thereunder by the appropriate governmental authority. References to the Code shall include references to any successor section or provision of the Code.
- 1.10 "Committee" shall mean the committee described in Article 12 which shall administer the Plan.
- 1.11 "Company" shall mean Genesco Inc., a Tennessee corporation, and any successor or assigns.
- 1.12 "Company Contribution Credit" shall mean an amount credited to the Participant's Company Contribution Account for a Plan Year in accordance with the terms of the Plan.
- 1.13 "Company Contribution Account" shall mean the aggregate Company Contributions credited for a Participant as well as any appreciation (or depreciation) specifically attributable to such Company Contributions due to Investment Adjustments, reduced to reflect all prior distributions and withdrawals. The Company Contribution Account shall be utilized solely as a device for the measurement of amounts to be paid to the Participant under the Plan. The Company Contribution Account shall not constitute or be treated as an escrow, trust fund, or any other type of funded account for Code or ERISA purposes and, moreover, contingent amounts credited thereto shall not be considered "plan assets" for ERISA purposes. The Company Contribution Account merely provides a record of the bookkeeping entries relating to the contingent benefits that the Company intends to provide Participant and shall thus reflect a mere unsecured promise to pay such amounts in the future.
- 1.14 "Contributions" shall refer to any and all Deferral and Company Contributions, as such terms have been defined herein.
- 1.15 "Deferral Contribution" shall mean the aggregate amount of Director Fees and Compensation deferred by a Participant during a given Plan Year in accordance with the terms of the Plan and the Participant's Deferral Agreement and "credited" to the Participant's Deferral Contribution Account. Deferral Contributions shall be deemed to be made to the Plan by the Participant on the date the Participant would have received such compensation had it not been deferred pursuant to the Plan.
- 1.16 "Deferral Contribution Account" shall mean a Participant's aggregate Deferral Contributions, as well as any appreciation (or depreciation) specifically attributable to such Deferral Contributions due to Investment Adjustments, reduced to reflect all prior distributions and withdrawals. The Deferral Contribution Account shall be utilized solely as a device for

the measurement of amounts to be paid to the Participant under the Plan. The Deferral Contribution Account shall not constitute or be treated as an escrow, trust fund, or any other type of funded account for Code or ERISA purposes and, moreover, contingent amounts credited thereto shall not be considered "plan assets" for ERISA purposes. The Deferral Contribution Account merely provides a record of the bookkeeping entries relating to the contingent benefits that the Company intends to provide Participant and shall thus reflect a mere unsecured promise to pay such amounts in the future.

- 1.17 "Director Fees" shall mean any payments made to a member of the Genesco Inc. Board of Directors.
- 1.18 "Disability" shall mean a period of disability during which a Participant qualifies for total permanent disability benefits under his Employer's long-term disability plan, or, if a Participant does not participate in such a plan, a period of disability during which the Participant would have qualified for total permanent disability benefits had the Participant been a participant in such a plan, as determined in the sole discretion of the Committee. If the Participant's Employer does not sponsor such a plan, or discontinues to sponsor such a plan, Disability shall be determined by the Committee in its sole discretion.
- 1.19 "Deferral Agreement" shall mean the document required by the Committee to be submitted by a Participant which specifies (1) the percent of Director Fees or Compensation the Participant has elected to defer as provided in Section 3.1 (2) the Benefit Distribution Date described in Section 1.4 and (3) for purposes of article 7 and 8 the form of distribution. A deferral election (or modification of an earlier election) may not be made with respect to Director Fees or Compensation which is currently available on or before the date the Participant executed such election. Changes in the amount of the deferral, the benefit distribution date and/or the form of the distribution can only be effective as of the beginning of the Plan Year and the changes will only apply to future deferrals.
- 1.20 "Effective Date" shall mean the effective date of this Plan which shall be July 1, 2000.
- 1.21 "Employee" shall mean an employee of the Company.
- 1.22 "Employer" shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that (i) have been selected by the Board to participate in the Plan and (ii) have affirmatively adopted the Plan.

- 1.23 "Enrollment Forms" shall mean the Participation Agreement, the Deferral Agreement, and any other forms or documents which may be required of a Participant by the Committee, in its sole discretion, prior to and as a condition of participating in the Plan.
- 1.24 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the regulations and other authority issued thereunder by the appropriate governmental authority. References herein to any section of ERISA shall include references to any successor section or provision of ERISA.
- 1.25 "Financial Emergency" shall mean an unanticipated emergency and severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, a loss of the Participant's property due to casualty, or such other extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an unforeseeable emergency will be determined by the Committee in its sole discretion and will depend upon the facts of each case.
- 1.26 "Hour of Service" means (1) each hour for which a Participant is directly or indirectly compensated or entitled to compensation by the Company for the performance of duties (these hours will be credited to the Employee for the computation period in which the duties are performed); (2) each hour for which a Participant is directly or indirectly compensated or entitled to compensation by the Company (irrespective of whether the employment relationship has terminated) for reasons other than performance of duties (such as vacation, holidays, sickness, jury duty, disability, lay-off, military duty or leave of absence) during the applicable computation period (these hours will be calculated and credited pursuant to Department of Labor regulation 2530.200b-2 which is incorporated herein by reference); (3) each hour for which back pay is awarded or agreed to by the Company without regard to mitigation of damages (these hours will be credited to the Participant for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made). The same Hours of Service shall not be credited both under (1) or (2), as the case may be, and under (3).

Notwithstanding the above, (i) no more than 501 Hours of Service are required to be credited to a Participant on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period); (ii) an hour for which a Participant is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed is not required

to be credited to the Participant if such payment is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation, or unemployment compensation or disability insurance laws; and (iii) Hours of Service are not required to be credited for a payment which solely reimburses a Participant for medical or medically related expenses incurred by the Participant.

For purposes of this Section, a payment shall be deemed to be made by or due from the Company regardless of whether such payment is made by or due from the Company directly, or Company contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer, or other entity are for the benefit of a particular employee or are on behalf of a group of employees in the aggregate.

For purposes of this Section, Hours of Service will be credited for employment with other Affiliated Employers. The provisions of Department of Labor regulations 2530.200b-2(b) and (c) are incorporated herein by reference.

- 1.27 "Hypothetical Investment" shall mean an investment fund or benchmark made available to Participant's by the Committee for purposes of valuing amounts contributed to the Plan.
- 1.28 "Investment Allocation Form" (i) shall apply with respect to those Deferral and Company Contributions credited to the Plan after the effective date of the Investment Allocation Form but prior to the timely filing of a subsequent Investment Allocation Form and (ii) shall determine the manner in which such Deferral Contributions and Company Contributions, shall be initially allocated by the Participant among the various Hypothetical Investments within the Plan.
- 1.29 "Investment Re-allocation Form" shall re-direct the manner in which earlier Deferral and Company Contributions, as well as any appreciation (or depreciation) to date, are invested within the Hypothetical Investments available in the Plan.
- 1.30 "1-Year Break in Service" means the applicable computation period during which an Employee has not completed more than 500 Hours of Service with the Company. Further, solely for the purpose of determining whether a Participant has incurred a 1-Year Break in Service, Hours of Service shall be recognized for "authorized leaves of absence" and "maternity and paternity leaves of absence." Years of Service and 1-Year Breaks in Service shall be measured on the same computation period.

"Authorized leave of absence" means an unpaid, temporary cessation from active employment with the Company pursuant to an established

nondiscriminatory policy, whether occasioned by illness, military service, or any other reason.

A "maternity or paternity leave of absence" means, for Plan Years beginning after December 31, 1984, an absence from work for any period by reason of the Participant's pregnancy, birth of the Employee's child, placement of a child with the Employee in connection with the adoption of such child, or any absence for the purpose of caring for such child for a period immediately following such birth or placement. For this purpose, Hours of Service shall be credited for the computation period in which the absence from work begins, only if credit therefor is necessary to prevent the Participant from incurring a 1-Year Break in Service, or, in any other case, in the immediately following computation period. The Hours of Service credited for a "maternity or paternity leave of absence" shall be those which would normally have been credited but for such absence, or, in any case in which the Committee is unable to determine such hours normally credited, eight (8) Hours of Service per day. The total Hours of Service required to be credited for a "maternity or paternity leave of absence" shall not exceed 501.

- 1.31 "Participant" shall mean any member of the Board of Directors or any Employee (i) who has W-2 earnings and is selected to participate in the Plan in accordance with Section 2.1, (ii) who elects to participate in the Plan, (iii) who signs the applicable Enrollment Forms (and other forms required by the Committee) on a timely basis, and (iv) whose signed Enrollment Forms (and other required forms) are accepted by the Committee.
- 1.32 "Participation Agreement" shall mean the separate written agreement entered into by and between the Employer and the Participant, which shall indicate the Participant's intent to defer compensation subject to the terms of the Plan and the Participation Agreement itself.
- 1.33 "Plan" shall mean the Genesco Inc. Deferred Income Plan which shall be evidenced by this instrument, each Participation Agreement and by each Enrollment Form, as they may be amended from time to time.
- 1.34 "Plan Year" shall mean the period beginning on January 1 of each year and ending December 31. The initial Plan Year shall begin on July 1 and end December 31.
- 1.35 "Retirement," "Retires" or "Retired" shall mean, with respect to an Employee, severance from employment for any reason on or after (1) attainment of age fifty-five (55), or if earlier, (2) the date when the Employee's age and years of service, beginning on the date of his initial employment with the Company equals seventy (70) years.

- 1.36 "Termination of Employment" shall mean with respect to an Employee, the voluntary or involuntary severing of employment with the Company for any reason other than Retirement or death. With respect to a Director, it shall mean the discontinuance of serving on the Board.
- 1.37 "Trust" shall mean a grantor trust of the type commonly referred to as "rabbi trust" created to "informally fund" contingent benefits payable under the Plan.
- 1.38 Vested Account Balances" shall mean, the Account Balances defined in Section 1.1 multiplied by the Vested Percentages of such Accounts as provided in Section 3.5.
- 1.39 "Year of Service" means the Plan Year (including years prior to the effective date of the Plan) during which the Participant has at least 1000 Hours of Service.

Notwithstanding the foregoing, for any short Plan Year, the determination of whether a Participant has completed a Year of Service shall be made in accordance with Department of Labor regulation 2530.203-2(c).

If any Former Participant is reemployed after a 1-Year Break in Service has occurred, Years of Service shall include Years of Service prior to his 1-Year Break in Service subject to the following rules:

- (i) Any Former Participant who under the Plan does not have any vested interest in the Plan shall lose credits otherwise allowable if his consecutive 1-Year Breaks in Service equal or exceed the greater of (A) five (5) or (B) the aggregate number of his pre-break Years of Service.
- (ii) After five (5) consecutive 1-Year Breaks in Service, a Former Participant's Vested Account balance attributable to pre-break service shall not be increased as a result of post-break service.

ARTICLE 2

ELIGIBILITY, SELECTION, ENROLLMENT

- 2.1 Eligibility, Selection by Committee. In addition to members of the Board of Directors, those employees who are (i) determined by the Company to be includable in a select group of management or highly compensated employees of the Company, (ii) specifically chosen by the Company to participate in the Plan, and (iii) approved for such participation by the Committee, in its sole discretion, shall be eligible to participate in the Plan subject to the enrollment requirements described in Section 2.2.

2.2 Enrollment Requirements. Each individual deemed eligible to participate in the Plan pursuant to Section 2.1, shall, as a condition to participating in the Plan, complete and return to the Committee all of the required Enrollment Forms, on a timely basis. In addition, the Committee shall in its sole discretion, establish such other enrollment requirements necessary for continued participation in the Plan.

2.2 Commencement of Participants. Provided a Participant has met all enrollment requirements set forth in this Plan and required by the Committee, including returning the Enrollment Forms and other required documents to the Committee within the specified time period, the Participant's participation shall commence as of the date established by the Committee in its sole discretion. If a Participant fails to meet all such requirements within the specified time period with respect to any Plan Year, the Participant shall not be eligible to participate during that Plan Year.

ARTICLE 3

CONTRIBUTIONS, INVESTMENT ADJUSTMENTS, TAXES AND VESTING

3.1 Deferral Contributions.

(a) Election to Defer. A Participant may make an election to defer the receipt of amounts payable to the Participant, in the form of Director Fees or Compensation, during any Plan Year. The Participant's intent to defer shall be evidenced by a Participation Agreement and Deferral Agreement, both completed and submitted to the Committee in accordance with such procedures and time frames as may be established by the Committee in its sole discretion. Amounts deferred by a Participant with respect to a given Plan Year shall be referred to collectively as a Deferral Contribution and shall be credited to a Deferral Contribution Account established in the name of the Participant.

(b) Components of Deferral Contributions.

(i) Compensation. Each Participant who is an employee of the Company may elect to defer from 2% to 15% of his Compensation which would have been received in the Plan Year, but for the deferral election. Such percentages shall be withheld from each payment of Compensation.

(ii) Director Fees. A Participant who is a member of the Board may elect to defer up to 100% of his Director's Fees which would have been received in the Plan Year but for the deferred election. Such amount shall be withheld from each payment of Director Fees.

3.2 Company Contributions.

- (a) Supplement to the Retirement Plan. Each Plan Year, the Company shall credit to the Company Contribution Account for each Participant whose benefits in the Retirement Plan for such Plan Year are reduced as a result of participating in this Plan for such Plan Year an amount equal to (A) minus (B) with (A) being the amount that would have been credited to the Participant's account in the Retirement Plan pursuant to Section 4.5(b) of such plan for the same Plan Year if the Participant had not deferred any Compensation pursuant to Section 3.1 of this Plan for such Plan Year and (B) being the amount credited to the Participant's account in the Retirement Plan pursuant to Section 4.5(b) of such Plan for the same Plan Year.
- (b) Supplement to the Salary Deferral Plan. If a Participant contributes enough 401(k) contributions to the Salary Deferral Plan for a Plan Year so as to receive the maximum matching contribution available that year as a percent of compensation, then the Company shall credit an additional amount to his Company Contribution Account for such Participant for such Plan Year equal to (C) minus (D) with (C) being the amount that would have been contributed to the Salary Deferral Plan for the Participant as matching contributions for such Plan Year if the Participant had not deferred any Compensation pursuant to Section 3.1 of this Plan and (D) being the amount that is contributed to the Salary Deferral Plan for the Participant as matching contributions for the same Plan Year.

3.3 Selection of Hypothetical Investments. The Participant shall, via his Investment Allocation Form(s), as more fully described in Section 1.28, and his Investment Re-Allocation Form(s), as more fully described in Section 1.29, select one or more Hypothetical Investments among which his various contributions shall be distributed. The Committee shall provide the Participant with a list of Hypothetical Investments available. From time to time, in the sole discretion of the Committee, the Hypothetical Investments available within the Plan may be revised. All Hypothetical Investment selections must be denominated in whole percentages. A Participant may make changes in his selected Hypothetical Investments from time to time via submission of a new Investment Allocation Form, as described in and subject to the language of Section 1.28 or submission of a new Investment Re-Allocation Form, as described in and subject to the language of Section 1.29.

3.4 Adjustment of Participant Accounts. While a Participant's accounts do not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Participant's accounts shall be adjusted in accordance with the Hypothetical Investment(s) chosen by the Participant on his (i)

Investment Allocation Form or (ii) Investment Re-Allocation Form, subject to the conditions and procedures set forth herein or established by the Committee from time to time. The Participant's Accounts will be credited on a daily basis with the increase or decrease in the realizable net asset value and/or credited interest and dividend as applicable to the Hypothetical Investments. Any cash earnings generated under a Hypothetical Investment (such as interest and cash dividends and distributions) shall, at the Committee's sole discretion, either be deemed to be reinvested in that Hypothetical Investment or reinvested in one or more other Hypothetical Investment(s) designated by the Committee. All notional acquisitions and dispositions of Hypothetical Investments which occur within a Participant's accounts, pursuant to the terms of the Plan, shall be deemed to occur at such times as the Committee shall determine to be administratively feasible in its sole discretion and the Participant's accounts shall be adjusted accordingly. Notwithstanding anything to the contrary, any Investment Adjustments made to any Participants' accounts following a Change in Control shall be made in a manner no less favorable to Participants than the practices and procedures employed under the Plan, or as otherwise in effect, as of the date of the Change in Control. For purposes of determining the amount to be distributed to a Participant, the Participant's Account Balance shall be valued as of the last day of the month preceding the month of the distribution.

- 3.5 Vesting. The Participant shall at all times be one hundred percent (100%) vested in his Deferral Contribution Account. The Participant shall become one hundred percent (100%) vested in his Company Contribution Account after the earlier of (1) being credited with five (5) Years of Service, (2) his death or (3) reaching the age of Retirement as defined in Section 1.35. The Participant shall be zero (0) vested in his Company Contribution Account immediately prior to the date he becomes one hundred percent (100%) vested as provided above.

ARTICLE 4

SUSPENSION OF DEFERRALS

- 4.1 Financial Emergencies. If a Participant experiences a Financial Emergency, the Participant may petition the Committee to suspend any deferrals required to be made by the Participant pursuant to his current Deferral Agreement. The Committee shall determine, in its sole discretion, whether to approve the Participant's petition. If the petition for a suspension is approved, suspension shall commence upon the date of approval and shall continue until the earlier of (i) the end of the Plan Year or (ii) the date the Financial Emergency ceases to exist, as determined by the Committee in its sole discretion.

- 4.2 Leave of Absence. If a Participant is authorized by the Company for any reason to take an unpaid leave of absence from the employment of the Company, the Participant's deferrals shall be suspended until the earlier of the date the leave of absence expires or the Participant returns to a paid employment status. Upon such expiration or return, deferrals shall resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the Deferral Agreement, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld. If a Participant is authorized by the Company for any reason to take a paid leave of absence from the employment of the Company, the Participant shall continue to be considered employed by the Company and the appropriate amounts shall continue to be withheld from the Participant's compensation pursuant to the Participant's then current Deferral Agreement.

ARTICLE 5

IN-SERVICE DISTRIBUTIONS

- 5.1 Elected Distribution from the Deferral Compensation Account. As noted in Section 1.4, at the time each deferral is made, a Participant may elect a Benefit Distribution Date for his Deferral Contribution Account prior to the Participant's Termination of Employment, but no sooner than three years from the end of the Plan Year of the deferral. Such distribution shall be made to the Participant on such Benefit Distribution Date in a lump sum payment.
- 5.2 Withdrawal in the Event of a Financial Emergency. A Participant who believes he has experienced a Financial Emergency may request in writing a withdrawal of a portion of his Accounts necessary to satisfy the emergency. Within fifteen (15) days of the request, the Committee shall determine, in its sole discretion, (i) whether a Financial Emergency has occurred, (ii) the amount reasonably required to satisfy the Financial Emergency as well as (iii) the accounts from which the withdrawal shall be made; provided, however, that the withdrawal shall not exceed the Participant's Vested Account Balances. In making any determinations under this Section 5.2, the Committee shall be guided by the prevailing authorities under the Code. If, subject to the sole discretion of the Committee, the petition for a withdrawal is approved, the distribution shall be made no later than the twentieth (20th) day of the month following the Benefit Distribution Date.
- 5.3 Loans. No loans are allowed under this Plan.

ARTICLE 6

BENEFIT UPON TERMINATION OF EMPLOYMENT

- 6.1 Termination Benefit. In the event the Participant's Benefit Distribution Date is triggered due to his Termination of Employment (as such term is defined in Section 1.36), the Participant shall receive his Vested Account Balances in a lump sum payment no later than the twentieth (20th) day of the month following the Benefit Distribution Date.
- 6.2 Death Prior to Payment of Termination Benefit. If a Participant dies after his Termination of Employment but before his Vested Account Balances are paid to him, such benefit shall be paid to the Participant's Beneficiary in a lump sum payment no later than the twentieth (20th) day of the month following the Benefit Distribution Date.

ARTICLE 7

BENEFIT UPON RETIREMENT

- 7.1 Retirement Benefit. In the event the Participant's Benefit Distribution Date is triggered due to his Retirement (as such term is defined in Section 1.35), the Participant shall receive his Vested Account Balances as provided in Article 9 and such benefits shall commence (or be fully paid, in the event a lump sum form of distribution was selected) no later than the twentieth (20th) day of the month following the date of the Benefit Distribution Date.
- 7.2 Death Prior to Completion of Retirement Benefit. If a Participant dies after Retirement but before the benefits have commenced or been paid in full, the Participant's unpaid benefit payments shall continue to be paid to the Participant's beneficiary in the form designated by the Participant at deferral until the Participant's remaining Vested Account Balances have been depleted.

ARTICLE 8

PRE-RETIREMENT DEATH BENEFIT

- 8.1 Pre-Retirement Death Benefit. In the event the Participant's Benefit Distribution Date is triggered due to his death during employment or service on the Board, the Participant's Beneficiary shall receive the pre-retirement death benefit described below and no other benefits shall be payable under the Plan.
- 8.2 Payment of Pre-Retirement Death Benefit. The pre-retirement death benefit shall be paid to the Beneficiary in the forms selected by the Participant pursuant to Article 9 and shall commence (or be fully paid in

the event a lump sum form of distribution was selected) no later than sixty (60) days after the death of the Participant.

ARTICLE 9

FORM OF DISTRIBUTIONS

- 9.1 Unless the Participant elects otherwise, his Benefit provided for in Articles 7 and 8 shall be paid in a lump sum. However, at the time of a deferral election (or modification of an earlier election) a participant who is an Employee may elect to have his Account Balances attributable to Contributions made on or after such election and before any subsequent elections paid in substantially equal annual payments over a period of up to 15 years. The initial installment shall be based on the value of the Participant's Vested Account Balances, measured on his Benefit Distribution Date and shall be equal to $1/n$ (where 'n' is equal to the total number of annual benefit payments not yet distributed). Subsequent installment payments shall be computed in a consistent fashion, with the measurement date being the anniversary of the original measurement date. In the event the Participant's Vested Account Balances are equal to or less than \$10,000, his benefit shall be paid out in a lump sum.

BENEFICIARY DESIGNATION

- 10.1 Beneficiary. Each Participant shall have the right, at any time, to designate a Beneficiary or Beneficiaries to receive, in the event of the Participant's death, those benefits payable under the Plan. The Beneficiary(ies) designated under this Plan may be the same as or different from the Beneficiary designation made under any other plan of the Company.
- 10.2 Beneficiary Designation; Change; Spousal Consent. A Participant shall designate his Beneficiary by completing and signing a Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change his Beneficiary by completing, signing and submitting to the Committee a revised Beneficiary Designation Form in accordance with the Committee's rules and procedures, as in effect from time to time. Upon acknowledgement by the Committee of a revised Beneficiary Designation Form, all Beneficiary designations previously filed shall be deemed canceled. The Committee shall be entitled to rely on the last Beneficiary Designation Form both (i) filed by the Participant and (ii) acknowledged by the Committee, prior to his death.

- 10.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Committee or its designated agent.
- 10.4 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the benefits remaining under the Plan shall be payable to the executor or personal representative of the Participant's estate.
- 10.5 Doubt as to Beneficiary. If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Company to withhold such payments until this matter is resolved to the Committee's satisfaction.
- 10.6 Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge the Company and the Committee from all further obligations under this Plan with respect to the Participant, and the Participant's Participation Agreement shall terminate upon such full payment of benefits.

ARTICLE 11

TERMINATION, AMENDMENT OR MODIFICATION

- 11.1 Termination or Suspension. The Company reserves the right, at any time, to terminate the Plan. The Company also reserves the right, at any time, to suspend the operation of the Plan for a fixed or indeterminate period of time. The Plan, but not the Trust, automatically shall terminate upon the dissolution of the Company or upon its merger into or consolidation with any other corporation or business organization if there is a failure by the surviving corporation or business organization to adopt specifically and agree to continue the Plan. In the event of a suspension of the Plan, the Company shall continue all aspects of the Plan, other than Contribution Credits under Article 3 during the period of the suspension, in which event payments hereunder will continue to be made during the period of the suspension in accordance with the provisions of Articles 5,6,7 and 8. Upon the termination or suspension of the Plan, all amounts credited to the accounts of each affected Participant shall become fully vested.
- 11.2 Amendment. The Company may, at any time, amend or modify the Plan in whole or in part by the actions of the Board; provided, however, that (i) no amendment or modification shall be effective to decrease or restrict the value of a Participant's Account Balances in existence at the time the

amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification, or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, calculated as if the Participant had Retired as of the effective date of the amendment or modification, and (ii) except as specifically provided in Section 10.1, no amendment or modification shall be made after a Change in Control which adversely affects the vesting, calculation or payment of benefits hereunder or diminishes any other rights or protections any Participant or Beneficiary would have had, but for such amendment or modification, unless each affected Participant or Beneficiary consents in writing to such amendment

- 11.3 Effect of Payment. The full payment of the applicable benefit under the provisions of the Plan shall completely discharge all obligations to a Participant and his designated Beneficiaries under this Plan and each of the Participant's Participation Agreements shall terminate.

ARTICLE 12

ADMINISTRATION

- 12.1 Committee Duties. This Plan shall be administered by a Committee which shall consist of the Board, or such committee as the Board shall appoint. Members of the Committee may be Participants under this Plan. The Committee shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by Participant or the Company.
- 12.2 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to the Company.
- 12.3 Binding Effect of Decisions. The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

12.4 Indemnity of Committee. The Company shall indemnify and hold harmless the members of the Committee, and any Employee to whom duties of the Committee may be delegated, against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in case of willful misconduct by the Committee or any of its members or any such employee.

12.5 Employer Information. To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Committee may reasonably require.

ARTICLE 13

OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Company. The Plan shall supplement and shall not supersede, modify or amend any other such plan or programs except as may otherwise be expressly provided.

ARTICLE 14

CLAIMS PROCEDURES

14.1 Presentation of Claim. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within sixty (60) days after such notice was received by the Claimant. The claim must state with particularity the determination desired by the Claimant. All other claims must be made within one hundred eighty (180) days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

14.2 Notification of Decision. The Committee shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:

- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:

- (i) the specific reason(s) for the denial of the claim, or any part of it;
- (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and
- (iv) an explanation of the claim review procedure set forth in Section below.

14.3 Review of a Denied Claim. Within sixty (60) days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. Thereafter, but not later than thirty (30) days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

- (a) may review pertinent documents;
- (b) may submit written comments or other documents; and/or
- (c) may request a hearing, which the Committee, in its sole discretion, may grant.

14.4 Decision on Review. The Committee shall render its decision on review promptly, and not later than sixty (60) days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Committee's decision must be rendered within one hundred twenty (120) days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

- (a) specific reasons for the decision;
- (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based; and

(c) such other matters as the Committee deems relevant.

ARTICLE 15

TRUST

- 15.1 Establishment of the Trust. The Company may establish one or more Trusts to which they may transfer such assets as the Company determines in its sole discretion to assist in meeting their obligations under the Plan.
- 15.2 Interrelationship of the Plan and the Trust. The provisions of the Plan and the Participation Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Company, Participants and the creditors of the Company to the assets transferred to the Trust.
- 15.3 Distributions From the Trust. The Company's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Company's obligations under this Agreement.

ARTICLE 16

MISCELLANEOUS

- 16.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employee" within the meaning of ERISA. The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent. All Participant accounts and all credits and other adjustments to such Participant accounts shall be bookkeeping entries only and shall be utilized solely as a device for the measurement and determination of amounts to be paid under the Plan. No Participant accounts, credits or other adjustments under the Plan shall be interpreted as an indication that any benefits under the Plan are in any way funded.
- 16.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Company. For purposes of the payment of benefits under this Plan, any and all of the Company's assets, shall be, and remain, the general, unpledged unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

- 16.2 **Company's Liability.** The Company's liability for the payment of benefits shall be defined only by the Plan and the Participation Agreement, as entered into between the Company and a Participant. The Company shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his Participation Agreement.
- 16.3 **Nonassignability.** Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in actual receipt, the amount, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owned by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.
- 16.5 **Not a Contract of Employment.** Under the terms and conditions of this Plan and the Participation Agreement, this Plan shall not be deemed to constitute a contract of employment between the Company and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, except as otherwise provided in a written employment agreement. Nothing in this Plan or any Participation Agreement shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.
- 16.6 **Furnishing Information.** A Participant or his Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.
- 16.7 **Terms.** Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

- 16.8 Captions. The captions of the articles, sections or paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.9 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Tennessee without regard to its conflicts of laws principles.
- 16.10 Notice. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Genesco Inc.
P. O. Box 731
Nashville, TN 37202
Attn: General Counsel

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 16.11 Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's designated Beneficiaries.
- 16.12 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.
- 16.13 Incompetent. If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

16.14 Distribution in the Event of Taxation. If, for any reason, all or any portion of a Participant's benefit under this Plan becomes taxable to the Participant prior to a receipt, a Participant may petition the Committee or the trustee of the Trust, as applicable, for a distribution of that portion of his benefit that has become taxable. Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Company shall distribute to the Participant immediately, funds in an amount equal to the taxable portion of his benefit (which amount shall not exceed a Participant's unpaid Account Balances under the Plan). If the petition is granted, the tax liability distribution shall be made within ninety (90) days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.

16.15 Insurance. The Company, on its own behalf or on behalf of the trustee of the Trust, and, in its sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Company or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Company shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

IN WITNESS WHEREOF, the Company has signed this Plan document as of June 9, 2000.

GENESCO INC.

/s/ Buford Eubanks

Witness

By: /s/ James S. Gulmi

Title: Senior Vice President - Finance

/s/ Buford Eubanks

Witness

By: /s/ John W. Clinard

Title: Vice President, Administration and
Human Resources

AMENDMENT TO THE
GENESCO INC.
DEFERRED INCOME PLAN

Genesco Inc., pursuant to the power granted to it by the Section 11.2 of the Genesco Inc, Deferred Income Plan (the "Plan"), hereby amends, the Plan, as follows, effective as of January 1, 2001:

I.

Delete in its entirety Section 1.35 and substitute in lieu thereof the following: "Retirement", "Retires" or "Retired" shall mean, with respect to an Employee, severance from employment for any reason on or after the attainment of age fifty-five (55) if: (a) he has completed at least 5 Years of Service; and (b) the sum of his age and his whole Years of Service is equal to at least 70.

II.

Add the following to Section 3.1 (b) (i):

In addition, each Participant who is an employee of the Company may elect to defer up to 100% of a bonus earned by the Participant during the Plan Year pursuant to the Company's EVA Incentive Compensation Plan.

III.

Delete in its entirety Section 5.1 and substitute in lieu thereof the following:

Elected Distribution from the Deferral Compensation Account. As noted in Section 1.4, at the time each deferral is made, a Participant may elect a Benefit Distribution Date for his Deferral Contribution Account prior to the Participant's Termination of Employment, but no sooner than three years from the end of the Plan Year of the deferral. At the time of such election, the Participant may elect to receive such distribution in a lump sum payment or in substantially equal annual payments over a period of up to fifteen (15) years. If no election is made as to the former payment, such distribution shall be made to the Participant on such Benefit Distribution Date in a lump sum payment. If the Participant elects annual payments, the initial installment shall be based on the value of the Participant's Deferral Contribution Account, measured on the

Benefit Distribution Date elected, and shall be equal to 1/n ("n" being equal to the total number of annual benefit payments not yet distributed). Subsequent installment payments shall be computed in a consistent fashion, with the measurement date being the anniversary of the Original Measurement Date. In any case, if the Participant's Deferral Contribution Account is equal to or less than \$10,000 on his elected Benefit Distribution Date, his benefits shall be paid out in a lump sum, regardless of his payment election.

IV.

The Company has caused this Amendment to be signed by its duly authorized officer as of the date written below.

GENESCO INC.

/s/ Claire S. McCall

Witness

By: /s/ John W. Clinard

Title: Vice President, Administration and
Human Resources

/s/ Karen L. Kilian

Witness

By: /s/ James S. Gulmi

Title: Senior Vice President - Finance

NON-EMPLOYEE DIRECTOR AND
NAMED EXECUTIVE OFFICER COMPENSATION

NON-EMPLOYEE DIRECTOR COMPENSATION SUMMARY

Directors who are not employees of the Company receive a retainer of \$20,000 per year and a fee of \$1,000 for each board or committee meeting they attend in person and \$750 for each meeting they attend by telephone. Each committee chairman receives an additional \$4,000 per year. The Company also pays the premiums for non-employee directors on \$50,000 of coverage under the Company's group term life insurance policy plus additional cash compensation to offset taxes on their imputed income from such premiums. Directors who are full-time Company employees do not receive any extra compensation for serving as directors.

The 1996 Stock Incentive Plan (the "Plan") provides for the automatic issuance of shares of common stock valued at \$15,000 to a newly elected non-employee director on the date of the first annual meeting at which he or she is elected a director. All non-employee directors receive shares of restricted stock valued at \$44,000 on the date of each annual meeting. The shares are subject to restrictions on transfer for five years after they are granted unless the director leaves the board earlier and, with certain exceptions, to forfeiture if the director's service terminates during the three years following the date of grant. The Plan also permits non-employee directors to elect to exchange all or part of their annual retainers for shares of restricted stock at 75% of the shares' fair market value. Such shares are subject to the same restrictions on transfer and to forfeiture if the director's service terminates before the retainer represented by such shares is earned.

NAMED EXECUTIVE OFFICER COMPENSATION SUMMARY

Fiscal 2006 salaries for named executive officers:

Name ----	Title -----	Salary -----
Hal N. Pennington	Chairman, President and Chief Executive Officer	\$ 700,000
James S. Gulmi	Senior Vice President and Chief Financial Officer	330,000
Jonathan D. Caplan	Senior Vice President	275,000
Robert J. Dennis	Senior Vice President	320,000
James C. Estepa	Senior Vice President	475,000

Bonuses for Fiscal 2005 performance earned by the named executive officers pursuant to the EVA Incentive Plan:

Name ----	Title -----	Bonus -----
Hal N. Pennington	Chairman, President and Chief Executive Officer	\$ 916,650
James S. Gulmi	Senior Vice President and Chief Financial Officer	334,650
Jonathan D. Caplan	Senior Vice President	257,000
Robert J. Dennis	Senior Vice President	619,500
James C. Estepa	Senior Vice President	673,053

The portion of Mr. Dennis' earned bonus in excess of three times the target award (\$339,000) was deferred and not paid out, pursuant to the EVA Incentive Plan.

The named executive officers also receive long-term incentive awards pursuant to the Company's shareholder approved equity incentive plans.

ADDITIONAL INFORMATION

The foregoing information is summary in nature. Additional information regarding director and named executive officer compensation will be provided in the Company's proxy statement to be filed in connection with the 2005 annual meeting of shareholders.

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARIES OF THE COMPANY:

NAMES OF SUBSIDIARY	PLACE OF INCORPORATION	PERCENT OF VOTING SECURITIES OWNED BY REGISTRANT
Beagen Street Corporation	Delaware	100
Flagg Bros. of Puerto Rico, Inc.	Delaware	100
GCO Properties, Inc.	Tennessee	100
Genesco Brands, Inc.	Delaware	100
Genesco Global, Inc.	Delaware	100
Genesco Merger Company Inc.	Tennessee	100
Genesco Netherlands BV	Netherlands	100
Genesco Virgin Islands	Virgin Islands	100
Genesco World Apparel, Ltd.	Delaware	100
Hat World Corporation	Delaware	100
GCO Canada Inc.	Canada	100
Hat World, Inc.	Minnesota	100
Hatworld.com, Inc.	South Dakota	100

POWER OF ATTORNEY

The undersigned, certain of the officers and directors of Genesco Inc., a Tennessee corporation ("Genesco"), do hereby constitute and appoint Roger G. Sisson and James S. Gulmi, and any one of them, to act severally as attorneys-in-fact for and in their respective names, places and steads, with full power of substitution, to execute, sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of Genesco for the fiscal year ended January 29, 2005, and any and all amendments thereto; granting to said attorneys-in-fact, and each of them, full power and authority to do and perform every act and thing whatsoever requisite or necessary to be done in and about the premises as fully to all intents and purposes as the undersigned or any of them might or could do if personally present, and the undersigned do hereby ratify and confirm all that said attorney-in-fact or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

EXECUTED as of this 23rd day of February, 2005.

/s/ Hal N. Pennington

Hal N. Pennington, Chairman, President
and Chief Executive Officer

/s/ Leonard L. Berry

Leonard L. Berry, Director

/s/ William F. Blaufuss, Jr.

William F. Blaufuss, Jr., Director

/s/ Robert V. Dale

Robert V. Dale, Director

/s/ W. Lipscomb Davis, Jr.

W. Lipscomb Davis, Jr., Director

/s/ Matthew C. Diamond

Matthew C. Diamond, Director

/s/ James S. Gulmi

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

/s/ Marty G. Dickens

Marty G. Dickens, Director

/s/ Ben T. Harris

Ben T. Harris, Director

/s/ Kathleen Mason

Kathleen Mason, Director

/s/ William A. Williamson, Jr.

William A. Williamson, Jr., Director

/s/ William S. Wire II

William S. Wire II, Director

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Hal N. Pennington, certify that:

1. I have reviewed this annual report on Form 10-K of Genesco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 fourth fiscal quarter 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 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: April 14, 2005

/s/ Hal N. Pennington

Hal N. Pennington
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James S. Gulmi, certify that:

1. I have reviewed this annual report on Form 10-K of Genesco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 fourth fiscal quarter 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 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: April 14, 2005

/s/ James S. Gulmi

James S. Gulmi
Chief Financial Officer

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

In connection with the Annual Report of Genesco Inc. (the "Company") on Form 10-K for the period ending January 29, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hal N. Pennington, 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/ Hal N. Pennington

Hal N. Pennington
Chief Executive Officer
April 14, 2005

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

In connection with the Annual Report of Genesco Inc. (the "Company") on Form 10-K for the period ending January 29, 2005, 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
April 14, 2005

FINANCIAL STATEMENTS

Genesco Employee Stock Purchase Plan
As of January 29, 2005 and January 31, 2004 and Each of the Three Fiscal
Years in the Period Ended January 29, 2005 with
Report of Independent Registered Public Accounting Firm

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Financial Statements

January 29, 2005 and January 31, 2004

CONTENTS

Report of Independent Registered Public Accounting Firm.....	1
Financial Statements	
Statements of Financial Condition.....	2
Statements of Income and Changes in Plan Equity.....	3
Notes to Financial Statements.....	4

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying statements of financial condition of the Genesco Employee Stock Purchase Plan as of January 29, 2005 and January 31, 2004 and the related statements of income and changes in plan equity for each of the three fiscal years in the period ended January 29, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Genesco Employee Stock Purchase Plan at January 29, 2005 and January 31, 2004, and the changes in income and plan equity for each of the three fiscal years in the period ended January 29, 2005, in conformity with U. S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Nashville, Tennessee
March 23, 2005

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Statements of Financial Condition

	JANUARY 29, 2005 -----	JANUARY 31, 2004 -----
ASSETS		
Due from Genesco Inc.	\$186,694	\$148,351
	-----	-----
TOTAL ASSETS	\$186,694 =====	\$148,351 =====
LIABILITIES AND PLAN EQUITY		
Plan equity	\$186,694	\$148,351
	-----	-----
TOTAL LIABILITIES AND PLAN EQUITY	\$186,694 =====	\$148,351 =====

See accompanying notes.

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Statements of Income and Changes in Plan Equity

	FOR THE YEAR ENDED		
	JANUARY 29, 2005	JANUARY 31, 2004	FEBRUARY 1, 2003
Employee contributions	\$ 426,591	\$ 398,174	\$ 565,659
Options exercised	(351,108)	(359,180)	(582,699)
Distributions to withdrawn participants	(37,140)	(50,175)	(60,653)
Net increase (decrease) in plan equity	38,343	(11,181)	(77,693)
Plan equity at beginning of year	148,351	159,532	237,225
PLAN EQUITY AT END OF YEAR	\$ 186,694	\$ 148,351	\$ 159,532

See accompanying notes.

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Notes to Financial Statements

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

ADMINISTRATIVE EXPENSES

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

USE OF ESTIMATES

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

NOTE 2

THE PLAN

BACKGROUND AND SUMMARY

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

The Plan became effective October 1, 1995 to advance the interests of the Company and its shareholders by attracting and retaining qualified employees and by encouraging them to identify with shareholder interests through the acquisition of shares of the Company's common stock.

ELIGIBILITY

Each employee whose total annual base salary is less than \$90,000 and whose customary employment is greater than 20 hours per week and greater than five months per year is eligible to participate in the Plan if the employee has been employed by the Company for at least six months prior to the grant date. The Plan excludes statutory insiders and five percent shareholders.

CONTRIBUTIONS

Contributions to the Plan are solely from participating employees of the Company who, through after-tax payroll deductions, may use their contributions to purchase common stock of the Company at the end of a one-year option period. The maximum number of shares available to any participant is the lesser of 2,000 a year or that number of shares equal to \$10,000 divided by the closing market price of the common stock on the grant date or the exercise date. The maximum contribution is the lesser of \$8,500 a year or 15% of the participant's base pay as of October 1. The minimum contribution is \$250 per participant per year. Shares will be purchased September 30 of the year following the October 1 grant date with the initial grant date being October 1, 1995.

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Notes to Financial Statements (Continued)

NOTE 2

THE PLAN, CONTINUED

CONTRIBUTIONS (CONTINUED)

An option enables the participant to purchase shares of the Company's common stock at the lesser of 85% of the market value on the grant date or the exercise date. Options are to be granted each year through and including October 1, 2005, unless the board of directors, at its discretion, determines in advance that no options are to be granted. The cumulative number of shares which may be purchased under the Plan is 1,000,000. The options granted and rights thereto may not be sold, assigned, pledged or otherwise transferred.

PARTICIPANT ACCOUNTS

Periodically throughout the year, each participant is provided with statements reflecting the value of his or her account. Participant contributions are held by the Company, which has an unsecured obligation to the Plan.

At the exercise date, the Company issues stock that is transferred to a brokerage firm and distributed according to the number of options exercised by each participant.

VESTING

Participants are 100% vested in the value of their account and may withdraw from the Plan at any time except during the period September 15 through September 30 which is the time that preparations are made for the issuance of the stock each year.

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

TERMINATION OF THE PLAN

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

PLAN ADMINISTRATOR

The Plan is to be administered by the compensation committee of the Company's board of directors or another designee of the board of directors.

INCOME TAX STATUS

The Plan is intended to qualify as an Employee Stock Purchase Plan within the meaning of Section 423 of the Internal Revenue Code of 1986 ("the Code"), as amended. Issuance of shares under this Plan are not intended to result in taxable income to participants in the Plan based on provisions of the Code. Accordingly, no income will result for federal income tax purposes when an option is granted or exercised; however, income may result upon disposition of the stock. Management believes that the Plan is operating in compliance with the Code and, therefore, no provision for income taxes has been reflected in the accompanying financial statements.

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Notes to Financial Statements (Continued)

NOTE 3

OPTIONS TO PURCHASE COMPANY STOCK

OPTIONS TO PURCHASE COMPANY STOCK	TOTAL	OPTION PERIOD		
		10/01/04 TO 09/30/05	10/01/03 TO 09/30/04	10/01/02 TO 09/30/03
Estimated options granted - October 1, 2002	42,024	-0-	-0-	42,024
Additional options granted at exercise date	-0-	-0-	-0-	-0-
Options exercised	-0-	-0-	-0-	-0-
Options withdrawn	(2,473)	-0-	-0-	(2,473)
Options outstanding, February 1, 2003	39,551	-0-	-0-	39,551
Estimated options granted - October 1, 2003	29,543	-0-	29,543	-0-
Additional options granted at exercise date	553	-0-	-0-	553
Options exercised	(32,505)	-0-	-0-	(32,505)
Options withdrawn	(8,876)	-0-	(1,277)	(7,599)
Options outstanding, January 31, 2004	28,266	-0-	28,266	-0-
Estimated options granted - October 1, 2004	25,188	25,188	-0-	-0-
Additional options granted at exercise date	155	-0-	155	-0-
Options exercised	(24,529)	-0-	(24,529)	-0-
Options withdrawn	(3,892)	-0-	(3,892)	-0-
Options outstanding, January 29, 2005	25,188	25,188	-0-	-0-

The cumulative options exercised as of January 29, 2005 are 631,513.

	OPTION PERIOD		
	10/01/04 TO 09/30/05	10/01/03 TO 09/30/04	10/01/02 TO 09/30/03
85% of fair market value of stock at date of grant	\$ 20.34	\$ 14.31	\$ 11.05
Date of grant	10/1/04	10/1/03	10/1/02
85% of fair market value of stock at date of exercise	NA	\$ 20.02	\$ 13.65
Exercise date	9/30/05	9/30/04	9/30/03

At the beginning of each option period, the Company estimates the number of options to be granted based on participant contributions and the current stock price. At the end of the option period, the Company grants options to each plan participant. In the event plan contributions, withdrawals or the stock price are different than originally estimated, additional or fewer options may be granted at the end of the option period (exercise date).

GENESCO EMPLOYEE STOCK PURCHASE PLAN

Notes to Financial Statements (Continued)

NOTE 3

OPTIONS TO PURCHASE COMPANY STOCK, CONTINUED

NUMBER OF PARTICIPANTS	TOTAL	OPTION PERIOD		
		10/01/04 TO 09/30/05	10/01/03 TO 09/30/04	10/01/02 TO 09/30/03
Enrollment - October 1, 2002	357	-0-	-0-	357
Exercised options	-0-	-0-	-0-	-0-
Withdrawn	(20)	-0-	-0-	(20)
Active, February 1, 2003	337	-0-	-0-	337
Enrollment - October 1, 2003	310	-0-	310	-0-
Exercised options	(268)	-0-	-0-	(268)
Withdrawn	(82)	-0-	(13)	(69)
Active, January 31, 2004	297	-0-	297	-0-
Enrollment - October 1, 2004	449	449	-0-	-0-
Exercised options	(252)	-0-	(252)	-0-
Withdrawn	(45)	-0-	(45)	-0-
Active, January 29, 2005	449	449	-0-	-0-
	====	===	====	====

