Mansueto Joseph D
Form 4
September 29, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Mansueto Joseph D

(Last) (First) (Middle)

C/O MORNINGSTAR, INC., 225 WEST WACKER DRIVE

(Street)

CHICAGO, IL 60606

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Morningstar, Inc. [MORN]

3. Date of Earliest Transaction (Month/Day/Year)
09/25/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/25/2008		S (1)		10,000	D	$ 57.9643	27,337,313	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Mansueto Joseph D C/O MORNINGSTAR, INC. 225 WEST WACKER DRIVE CHICAGO, IL 60606			Chairman & CEO	

Signatures

/s/ Heidi Miller, by power of attorney	09/29/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The sales reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on September 12, 2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. font style="font-family:inherit;font-size:10pt;">1,147

4,419

Balance August 1, 2015

$
(12,975
)
$
(23,182
)
$

(36,157
)

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

Business Segments
The Segment Reporting Topic of the Codification requires that companies disclose “operating segments” based on the way management disaggregates the Company’s operations for making internal operating decisions (see Note 10).

New Accounting Principles
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". ASU No. 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements and merges areas under this topic with those of the International Financial Reporting Standards. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, however, in August 2015, the FASB deferred this ASU for one year. The amendment is to be applied either retrospectively to each prior reporting period presented or with the cumulative effect recognized at the date of initial adoption as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets on the balance sheet).

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Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1
Summary of Significant Accounting Policies, Continued

Early adoption is not permitted. The Company is currently assessing the impact the adoption of ASU 2014-09 will have on its Consolidated Financial Statements and related disclosures, including which transition method will be adopted.

Note 2
Intangible Assets

Other intangibles by major classes were as follows:

	Leases		Customer Lists		Other*		Total	
(In Thousands)	Aug. 1, 2015	Jan. 31, 2015	Aug. 1, 2015	Jan. 31, 2015	Aug. 1, 2015	Jan. 31, 2015	Aug. 1, 2015	Jan. 31, 2015
Gross other intangibles	$13,695	$13,616	$18,305	$18,244	$3,127	$3,114	$35,127	$34,974
Accumulated amortization	(12,674)	(12,301)	(10,353)	(9,424)	(1,826)	(1,664)	(24,853)	(23,389)
Net Other Intangibles	$1,021	$1,315	$7,952	$8,820	$1,301	$1,450	$10,274	$11,585

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

The amortization of intangibles, including trademarks, was $0.8 million for each of the second quarters of Fiscal 2016 and 2015 and $1.5 million for each of the first six months of Fiscal 2016 and 2015. The amortization of intangibles, including trademarks, is expected to be $2.9 million, $2.4 million, $1.7 million, $1.5 million and $0.7 million for Fiscal 2016, 2017, 2018, 2019 and 2020, respectively.

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Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 3
Asset Impairments and Other Charges and Discontinued Operations

Asset Impairments and Other Charges

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

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

The Company recorded pretax charges of $1.2 million in the second quarter of Fiscal 2016, including a $0.9 million charge for retail store asset impairments and a $0.2 million charge for network intrusion expenses. The Company recorded pretax charges of $3.8 million in the first six months of Fiscal 2016, including charges of $2.0 million for network intrusion expenses, a $1.7 million charge for retail store asset impairments and a $0.1 million charge for other legal matters.

The Company recorded pretax charges of $1.4 million in the second quarter of Fiscal 2015, including a $0.6 million charge for network intrusion expenses, a $0.6 million charge for other legal matters and a $0.4 million charge for retail store asset impairments, partially offset by a $(0.2) million gain on a lease termination. The Company recorded pretax charges of $0.3 million in the first six months of Fiscal 2015, including charges of $1.8 million for network intrusion expenses, $1.2 million for retail store asset impairments and $0.6 million for other legal matters, partially offset by a $(3.4) million gain on a lease termination of a Lids store.

Discontinued Operations

Accrued Provision for Discontinued Operations

In thousands	Facility Shutdown Costs
Balance February 1, 2014	$11,375
Additional provision Fiscal 2015	2,711
Charges and adjustments, net	673
Balance January 31, 2015	14,759
Additional provision Fiscal 2016	232
Charges and adjustments, net	(261)
Balance August 1, 2015*	14,730
Current provision for discontinued operations	10,483
Total Noncurrent Provision for Discontinued Operations	$4,247

*Includes a $14.1 million environmental provision, including $10.5 million in current provision for discontinued operations.

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Genesco Inc.
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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 4
Inventories

In thousands	August 1, 2015	January 31, 2015
Raw materials	$37,176	$32,941
Wholesale finished goods	68,455	65,785
Retail merchandise	629,172	499,419
Total Inventories	$734,803	$598,145

Note 5
Fair Value

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

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

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

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

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

Genesco Inc.
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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 5
Fair Value, Continued

The following table presents the Company’s assets (which excludes the Company's pension plan assets) and liabilities measured at fair value on a nonrecurring basis as of August 1, 2015 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Long-Lived Assets Held and Used	Level 1	Level 2	Level 3	Total Losses
Measured as of May 2, 2015	$67	$—	$—	$67	$766
Measured as of August 1, 2015	632	—	—	632	931
Sub-total asset impairment YTD					$1,697

In accordance with the Property, Plant and Equipment Topic of the Codification, the Company recorded $0.9 million and $1.7 million of impairment charges as a result of the fair value measurement of its long-lived assets held and used on a nonrecurring basis during the three and six months ended August 1, 2015, respectively. These charges are reflected in asset impairments and other, net on the Condensed Consolidated Statements of Operations.

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

Genesco Inc.
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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 6
Long-Term Debt

In thousands	August 1, 2015	January 31, 2015
U.S. revolver borrowings	$41,137	$—
UK term loans	44,956	29,155
UK revolver borrowings	27,365	—
Total long-term debt	113,458	29,155
Current portion	18,764	13,152
Total Noncurrent Portion of Long-Term Debt	$94,694	$16,003

Long-term debt maturing during each of the next five years ending in January each year is $13.1 million, $15.6 million, $3.5 million, $43.1 million and $38.1 million, respectively.

The Company had $41.1 million of revolver borrowings outstanding under the Credit Facility at August 1, 2015, which includes $15.6 million (£10.0 million) related to Genesco (UK) Limited, and had $45.0 million in term loans outstanding and $27.4 million in revolver loans outstanding under the U.K. Credit Facilities (described below) at August 1, 2015. The Company had outstanding letters of credit of $14.4 million under the Credit Facility at August 1, 2015. These letters of credit support product purchases and lease and insurance indemnifications.
U.K. Credit Facility

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

The UK Credit Facilities contain certain covenants at the Schuh level including a minimum interest coverage covenant of 4.50x and thereafter, a maximum leverage covenant initially set at 2.25x declining over time at various rates to 1.75x beginning in April 2017 and a minimum cash flow coverage of 1.00x. The Company was in compliance with all the covenants at August 1, 2015. The UK Credit Facilities are secured by a pledge of all the assets of Schuh and its subsidiaries.

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 7
Defined Benefit Pension Plans and Other Benefit Plans

Components of Net Periodic Benefit Cost

	Pension Benefits Three Months Ended		Other Benefits Three Months Ended	
In thousands	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Service cost	$112	$113	$209	$130
Interest cost	1,062	1,163	62	55
Expected return on plan assets	(1,446)	(1,517)	—	—
Amortization:				
Losses	1,197	860	48	24
Net amortization	1,197	860	48	24
Net Periodic Benefit Cost	$925	$619	$319	$209

Components of Net Periodic Benefit Cost

	Pension Benefits Six Months Ended		Other Benefits Six Months Ended	
In thousands	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Service cost	$225	$225	$419	$266
Interest cost	2,140	2,338	123	116
Expected return on plan assets	(2,895)	(3,035)	—	—
Amortization:				
Losses	2,554	1,826	96	53
Net amortization	2,554	1,826	96	53
Net Periodic Benefit Cost	$2,024	$1,354	$638	$435

There is no cash contribution required for the pension plan in 2015.

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Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 8
Earnings Per Share

(In thousands, except per share amounts)	For the Three Months Ended August 1, 2015			For the Three Months Ended August 2, 2014		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Earnings from continuing operations	$7,593			$4,768		
Less: Preferred stock dividends	—			—		
Basic EPS from continuing operations						
Income available to common shareholders	7,593	23,538	$0.32	4,768	23,496	$0.20
Effect of Dilutive Securities from continuing operations						
Dilutive share-based awards		33			80	
Employees' preferred stock[(1)]		45			46	
Diluted EPS from continuing operations						
Income available to common shareholders plus assumed conversions	$7,593	23,616	$0.32	$4,768	23,622	$0.20

(1) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because no dividends are paid on this stock, these shares are assumed to be converted in the diluted earnings per share calculations for the second quarters ended August 1, 2015 and August 2, 2014.

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Genesco Inc.
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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 8
Earnings Per Share, Continued

	For the Six Months Ended August 1, 2015			For the Six Months Ended August 2, 2014		
(In thousands, except per share amounts)	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Earnings from continuing operations	$17,538			$18,866		
Less: Preferred stock dividends	—			—		
Basic EPS from continuing operations Income available to common shareholders	17,538	23,544	$0.74	18,866	23,432	$0.81
Effect of Dilutive Securities from continuing operations						
Dilutive share-based awards		106			179	
Employees' preferred stock[(1)]		45			46	
Diluted EPS from continuing operations Income available to common shareholders plus assumed conversions	$17,538	23,695	$0.74	$18,866	23,657	$0.80

(1) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because no dividends are paid on this stock, these shares are assumed to be converted in the diluted earnings per share calculations for the first six months ended August 1, 2015 and August 2, 2014.

The Company repurchased 424,384 shares of common stock during the three and six months ended August 1, 2015 for $27.5 million of which $5.8 million was not paid in the second quarter but included in other accrued liabilities in the Condensed Consolidated Balance Sheets. The Company has $33.4 million remaining under its current $75.0 million share repurchase authorization. The Company did not repurchase any shares during the three and six months ended August 2, 2014.

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Explanation of Responses:

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 9
Legal Proceedings

Environmental Matters
New York State Environmental Matters
In August 1997, the New York State Department of Environmental Conservation (“NYSDEC”) and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study (“RIFS”) and implementing an interim remedial measure (“IRM”) with regard to the site of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969. The Company undertook the IRM and RIFS voluntarily, without admitting liability or accepting responsibility for any future remediation of the site. The Company has completed the IRM and the RIFS. In the course of preparing the RIFS, the Company identified remedial alternatives with estimated undiscounted costs ranging from $0.0 million to $24.0 million, excluding amounts previously expended or provided for by the Company. The United States Environmental Protection Agency (“EPA”), which has assumed primary regulatory responsibility for the site from NYSDEC, issued a Record of Decision (the "2007 ROD") in September 2007. The 2007 ROD requires a remedy of a combination of groundwater extraction and treatment and in-situ chemical oxidation at an estimated present cost of approximately $10.7 million.

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

In April 2015, the EPA issued a proposal to amend the 2007 ROD by eliminating the separate ground-water extraction and treatment systems and the use of in-situ oxidation from the remedy adopted in the 2007 ROD. The proposal, which is subject to public comment and final approval by the EPA, would continue the operation and maintenance of the existing wellhead treatment systems on wells operated by the Village of Garden City, New York (the "Village").

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

The Company has not verified the estimates of either historic or future costs asserted by the Village, but believes that an estimate of future costs based on a 70-year remediation period is unreasonable given the expected remedial period reflected in the EPA's Record of Decision. On May 23, 2008, the Company filed a motion to dismiss the Village's complaint on grounds including applicable statutes of limitation and preemption of certain claims by the NYSDEC's and the EPA's diligent prosecution of remediation. On January 27, 2009, the Court granted the motion to dismiss all counts of the plaintiff's complaint except for

Genesco Inc.
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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 9
Legal Proceedings, Continued

the CERCLA claim and a state law claim for indemnity for costs incurred after November 27, 2000. On September 23, 2009, on a motion for reconsideration by the Village, the Court reinstated the claims for injunctive relief under RCRA and for equitable relief under certain of the state law theories. The Company intends to continue to defend the action if an acceptable settlement agreement cannot be reached.

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

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

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

Accrual for Environmental Contingencies
Related to all outstanding environmental contingencies, the Company had accrued $14.1 million as of August 1, 2015 and January 31, 2015 and accrued $11.9 million as of August 2, 2014. All such provisions reflect the Company's estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying Condensed Consolidated Balance Sheets because they relate to former facilities operated by the Company. The Company has made pretax accruals for certain of these contingencies, including approximately $0.1 million and $0.2 million for the second quarters of Fiscal 2016 and 2015, respectively, and approximately $0.2 million and $0.4 million reflected in the first six months of Fiscal 2016 and 2015, respectively. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Operations and represent changes in estimates.

Explanation of Responses:

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 9
Legal Proceedings, Continued

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

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

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

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 10
Business Segment Information

During the six months ended August 1, 2015 and August 2, 2014, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys and Underground by Journeys retail footwear chains, e-commerce operations and catalog; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised primarily of the Lids retail headwear stores, the Lids Locker Room and Lids Clubhouse fan shops (operated under various trade names), licensed team merchandise departments in Macy's department stores operated under the name of Locker Room by Lids under a license agreement with Macy's, the Lids Team Sports business and certain e-commerce operations; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce operations, catalog and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip Footwear, occupational footwear primarily sold directly to consumers; and other brands.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 1).

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

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

Note 10
Business Segment Information, Continued

Three Months Ended August 1, 2015 In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$247,177	$103,204	$222,425	$60,822	$22,150	$162	$655,940
Intercompany Sales	—	—	(207)	—	(208)	—	(415)
Net sales to external customers	$247,177	$103,204	$222,218	$60,822	$21,942	$162	$655,525
Segment operating income (loss)	$9,228	$4,892	$5,593	$846	$1,158	$(8,048)	$13,669
Asset Impairments and other*	—	—	—	—	—	(1,173)	(1,173)
Earnings (loss) from operations	9,228	4,892	5,593	846	1,158	(9,221)	12,496
Interest expense	—	—	—	—	—	(945)	(945)
Interest income	—	—	—	—	—	17	17
Earnings (loss) from continuing operations before income taxes	$9,228	$4,892	$5,593	$846	$1,158	$(10,149)	$11,568
Total assets**	$387,714	$266,461	$695,233	$114,577	$42,375	$177,941	$1,684,301
Depreciation and amortization	5,328	3,775	7,513	1,391	212	1,163	19,382
Capital expenditures	6,796	2,894	9,699	1,748	195	539	21,871

*Asset Impairments and other includes a $0.9 million charge for asset impairments, of which $0.5 million relates to the Lids Sports Group and $0.4 million relates to the Schuh Group, and a $0.2 million charge for network intrusion expenses.

**Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include $199.8 million, $99.6 million and $0.8 million of goodwill, respectively. The Schuh Group goodwill increased by $3.6 million from January 31, 2015 due to foreign currency translation adjustments. Of the Company's $310.4 million of property and equipment, $64.5 million and $13.5 million relate to property and equipment in the United Kingdom and Canada, respectively.

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Explanation of Responses:

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 10
Business Segment Information, Continued

Three Months Ended August 2, 2014 In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$236,838	99,770	$199,529	$54,995	$24,470	$262	$615,864
Intercompany Sales	—	—	(212)	—	(178)	—	(390)
Net sales to external customers	$236,838	$99,770	$199,317	$54,995	$24,292	$262	$615,474
Segment operating income (loss)	$6,820	$(197)	$8,474	$(424)	$1,873	$(5,040)	$11,506
Asset Impairments and other*	—	—	—	—	—	(1,422)	(1,422)
Earnings (loss) from operations	6,820	(197)	8,474	(424)	1,873	(6,462)	10,084
Interest expense	—	—	—	—	—	(800)	(800)
Interest income	—	—	—	—	—	18	18
Earnings (loss) from continuing operations before income taxes	$6,820	$(197)	$8,474	$(424)	$1,873	$(7,244)	$9,302
Total assets**	$339,876	283,895	$639,539	$108,725	$45,202	$163,600	$1,580,837
Depreciation and amortization	5,088	3,699	7,048	1,207	171	1,176	18,389
Capital expenditures	8,736	7,379	13,350	2,336	244	882	32,927

*Asset Impairments and other includes a $0.4 million charge for assets impairments in the Lids Sports Group, a $0.6 million charge for other legal matters and a $0.6 million charge for network intrusion expenses, partially offset by a $(0.2) million gain on a lease termination.

**Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include $185.5 million, $107.3 million and $0.8 million of goodwill, respectively. The Schuh Group goodwill increased by $2.4 million from February 1, 2014 due to foreign currency translation adjustments. Goodwill for the Lids Sports Group includes $3.1 million added since February 1, 2014 from a small acquisition. Of the Company's $296.4 million of property and equipment, $69.0 million and $14.9 million relate to property and equipment in the United Kingdom and Canada, respectively.

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Explanation of Responses:

Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 10
Business Segment Information, Continued

Six Months Ended August 1, 2015 In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$525,809	$181,766	$429,015	$127,184	$52,896	$297	$1,316,967
Intercompany Sales	—	—	(468)	—	(377)	—	(845)
Net sales to external customers	$525,809	$181,766	$428,547	$127,184	$52,519	$297	$1,316,122
Segment operating income (loss)	$33,650	$2,231	$2,196	$4,823	$4,181	$(14,512)	$32,569
Asset Impairments and other*	—	—	—	—	—	(3,819)	(3,819)
Earnings (loss) from operations	33,650	2,231	2,196	4,823	4,181	(18,331)	28,750
Interest expense	—	—	—	—	—	(1,605)	(1,605)
Interest income	—	—	—	—	—	32	32
Earnings (loss) from continuing operations before income taxes	$33,650	$2,231	$2,196	$4,823	$4,181	$(19,904)	$27,177
Total assets**	$387,714	$266,461	$695,233	$114,577	$42,375	$177,941	$1,684,301
Depreciation and amortization	10,788	7,288	15,231	2,756	427	2,385	38,875
Capital expenditures	13,775	6,036	20,488	4,488	329	1,155	46,271

*Asset Impairments and other includes a $2.0 million charge for network intrusion expense, a $1.7 million charge for asset impairments, of which $1.3 million is in the Lids Sports Group and $0.4 million is in the Schuh Group, and a $0.1 million charge for other legal matters.

**Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include $199.8 million, $99.6 million and $0.8 million of goodwill, respectively. The Schuh Group goodwill increased by $3.6 million from January 31, 2015 due to foreign currency translation adjustment. Of the Company's $310.4 million of property and equipment, $64.5 million and $13.5 million relate to property and equipment in the United Kingdom and Canada, respectively.

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Genesco Inc.
and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 10
Business Segment Information, Continued

Six Months Ended August 2, 2014 In thousands	Journeys Group	Schuh Group	Lids Sports Group	Johnston & Murphy Group	Licensed Brands	Corporate & Other	Consolidated
Sales	$498,961	181,046	$388,864	$118,392	$57,155	$563	$1,244,981
Intercompany Sales	—	—	(281)	—	(401)	—	(682)
Net sales to external customers	$498,961	$181,046	$388,583	$118,392	$56,754	$563	$1,244,299
Segment operating income (loss)	$26,497	$(5,338)	$16,611	$4,072	$5,394	$(13,123)	$34,113
Asset Impairments and other*	—	—	—	—	—	(311)	(311)
Earnings (loss) from operations	26,497	(5,338)	16,611	4,072	5,394	(13,434)	33,802
Interest expense	—	—	—	—	—	(1,533)	(1,533)
Interest income	—	—	—	—	—	50	50
Earnings (loss) from continuing operations before income taxes	$26,497	$(5,338)	$16,611	$4,072	$5,394	$(14,917)	$32,319
Total assets**	$339,876	283,895	$639,539	$108,725	$45,202	$163,600	$1,580,837
Depreciation and amortization	9,849	7,205	14,130	2,288	303	1,974	35,749
Capital expenditures	14,606	12,213	18,439	4,872	490	2,117	52,737

*Asset Impairments and other includes a $1.8 million charge for network intrusion expenses, a $1.2 million charge for asset impairments, which is in Lids Sports Group and a $0.6 million charge for other legal matters, partially offset by a gain of $(3.4) million for a lease termination of a Lids store.

**Total assets for the Lids Sports Group, Schuh Group and Licensed Brands include $185.5 million, $107.3 million and $0.8 million of goodwill, respectively. The Schuh Group goodwill increased by $2.4 million from February 1, 2014 due to foreign currency translation adjustment. Goodwill for the Lids Sports Group includes $3.1 million added since February 1, 2014 from a small acquisition. Of the Company's $296.4 million of property and equipment, $69.0 million and $14.9 million relate to property and equipment in the United Kingdom and Canada, respectively.

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

Forward Looking Statements

This discussion and the Notes to the Condensed Consolidated Financial Statements include certain forward-looking statements, including those regarding the performance outlook for the Company and its individual businesses and all other statements not addressing solely historical facts or present conditions. Words such as "may," "will," "should," "likely," "anticipate," "expect," "intend," "plan," "project," "believe," "estimate" and similar expressions can be used to identify these forward-looking statements. Actual results could differ materially from those reflected by the forward-looking statements in this discussion, in the Notes to the Condensed Consolidated Financial Statements, and in other disclosures, including those regarding the Company's performance outlook for Fiscal 2016 and beyond.

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

- The timing, effectiveness and cost of the Company's initiatives to improve performance in the Lids Sports Group.
- The timing and amount of non-cash asset impairments related to retail store fixed assets or to intangible assets of acquired businesses.
- The effectiveness of the Company's omnichannel initiatives.
- Weakness in the consumer economy.
- Competition in the Company's markets.
- Fashion trends that affect the sales or product margins of the Company's retail product offerings.
- Changes in buying patterns by significant wholesale customers.
- Inability of customers to obtain credit.
- Bankruptcies or deterioration in the financial condition of significant wholesale customers, limiting their ability to buy or pay for merchandise offered by the Company.
- Disruptions in product supply or distribution.
- Unfavorable trends in fuel costs, foreign exchange rates, foreign labor and material costs and other factors affecting the cost of products and results of operations.
- The Company's ability to continue to complete and integrate acquisitions, expand its business and diversify its product base.
- Changes in the timing of holidays or in the onset of seasonal weather affecting period-to-period sales comparisons.
- The performance of athletic teams, the participants in major sporting events such as the Super Bowl and World Series, developments with respect to certain individual athletes, and other sports-related events or changes, including the timing of major sporting events, that may affect period-to-period comparisons in the Company's Lids Sports Group retail businesses.
- The Company's ability to build, open, staff and support additional retail stores and to renew leases in existing stores and control occupancy costs, and to conduct required remodeling or refurbishment on schedule and at expected expense levels.
- Deterioration in the performance of individual businesses or of the Company's market value relative to its book value, resulting in impairments of fixed assets or intangible assets or other adverse financial consequences.
- Unexpected changes to the market for the Company's shares.
- Variations from expected pension-related charges caused by conditions in the financial markets.
- Disruptions in the Company's information technology systems either by security breaches and incidents or by potential problems associated with the implementation of new or upgraded systems.

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- The cost and outcome of litigation, investigations and environmental matters involving the Company, including but not limited to the matters discussed in Note 9 to the Condensed Consolidated Financial Statements.
- Other factors set forth under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015 and other documents the Company files with the Securities and Exchange Commission (the "SEC").

Overview

Description of Business

The Company's business includes the design and sourcing, marketing and distribution of footwear and accessories through retail stores, including Journeys®, Journeys Kidz®, Shi by Journeys®, Underground by Journeys® and Johnston & Murphy® in the U.S., Puerto Rico and Canada, and through Schuh®stores in the United Kingdom, the Republic of Ireland and Germany, and through e-commerce websites and catalogs, and at wholesale, primarily under the Company's Johnston & Murphy brand, the Trask brand, the licensed Dockers® brand and other brands that the Company licenses for men's footwear. The Company's wholesale footwear brands are distributed to more than 1,250 retail accounts in the United States, including a number of leading department, discount, and specialty stores. The Company's business also includes Lids Sports, which operates (i) headwear and accessory stores under the Lids® name and other names in the U.S., Puerto Rico and Canada, (ii) the Lids Locker Room and Lids Clubhouse businesses, consisting of sports-oriented fan shops featuring a broad array of licensed merchandise such as apparel, hats and accessories, sports decor and novelty products, operating under various trade names, (iii) licensed team merchandise departments in Macy's department stores operated under the name of Locker Room by Lids and on macys.com under a license agreement with Macy's, (iv) e-commerce operations and (v) an athletic team dealer business operating as Lids Team Sports. Including both the footwear businesses and the Lids Sports business, at August 1, 2015, the Company operated 2,800 retail stores and leased departments in the U.S., Puerto Rico, Canada, the United Kingdom, the Republic of Ireland and Germany.

During the six months ended August 1, 2015 and August 2, 2014, the Company operated five reportable business segments (not including corporate): (i) Journeys Group, comprised of the Journeys, Journeys Kidz, Shi by Journeys and Underground by Journeys retail footwear chains, e-commerce operations and catalog; (ii) Schuh Group, comprised of the Schuh retail footwear chain and e-commerce operations; (iii) Lids Sports Group, comprised as described in the preceding paragraph; (iv) Johnston & Murphy Group, comprised of Johnston & Murphy retail operations, e-commerce operations and catalog and wholesale distribution of products under the Johnston & Murphy and Trask brands; and (v) Licensed Brands, comprised of Dockers Footwear, sourced and marketed under a license from Levi Strauss & Company; SureGrip Footwear, occupational footwear primarily sold directly to consumers; and other brands.

The Journeys retail footwear stores sell footwear and accessories primarily for 13 to 22 year old men and women. The stores average approximately 2,000 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages five to 12. These stores average approximately 1,450 square feet. Shi by Journeys retail footwear stores sell footwear and accessories to fashion-conscious women in their early 20's to mid 30's. These stores average approximately 2,150 square feet. The Underground by Journeys retail footwear stores sell footwear and accessories primarily for men and women in the 20 to 35 age group. These stores average approximately 1,850 square feet. The Journeys Group stores are primarily in malls and factory outlet centers throughout the United States, Puerto Rico and Canada. The Journeys Group operates 35 stores in Canada. Journeys also sells footwear and accessories through direct-to-consumer catalog and e-commerce operations.

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The Schuh retail footwear stores sell a broad range of branded casual and athletic footwear along with a meaningful private label offering primarily for 15 to 30 year old men and women. The stores, which average approximately 4,925 square feet, include both street-level and mall locations primarily in the United Kingdom and the Republic of Ireland. During the third quarter of Fiscal 2013, the Schuh Group opened its first Schuh Kids store. As of August 1, 2015, the Company has opened seven Schuh Kids stores that sell footwear primarily for younger children, ages five to 12, and average 2,800 square feet. During the first quarter of Fiscal 2016, the Schuh Group opened its first Schuh store in Germany. The Schuh Group also sells footwear through e-commerce operations.

The Lids Sports Group includes stores and kiosks, primarily under the Lids banner, that sell licensed and branded headwear to men and women primarily in the early-teens to mid-20's age group. The Lids store locations average approximately 875 square feet and are primarily in malls, airports, street-level stores and factory outlet centers throughout the United States, Puerto Rico and Canada. The Lids Sports Group also operates Lids Locker Room and Lids Clubhouse stores under a number of trade names, selling licensed sports headwear, apparel and accessories to sports fans of all ages in locations averaging approximately 2,775 square feet in malls and other locations primarily in the United States and Canada. The Lids Sports Group operates 153 stores in Canada. The Lids Sports Group also operates Locker Room by Lids leased departments in Macy's department stores selling headwear, apparel, accessories and novelties from an assortment of college and professional teams specific to particular Macy's department stores' geographic locations. As of August 1, 2015, the Company operates 184 Locker Room by Lids leased departments averaging approximately 650 square feet. The Lids Sports Group also sells headwear and accessories through e-commerce operations. In addition, the Lids Sports Group operates Lids Team Sports, an athletic team dealer business.

Johnston & Murphy retail shops sell a broad range of men's footwear, apparel and accessories. Women's footwear and accessories are sold in select Johnston & Murphy retail locations. Johnston & Murphy shops average approximately 1,550 square feet and are located primarily in better malls and in airports throughout the United States. Johnston & Murphy opened its first store in Canada during the fourth quarter of Fiscal 2012. As of August 1, 2015, Johnston & Murphy also operated seven stores in Canada. The Company also has license and distribution agreements for wholesale and retail sales of Johnston & Murphy products in various non - U.S. jurisdictions. The Company also sells Johnston & Murphy footwear and accessories in factory stores, averaging approximately 2,400 square feet, located in factory outlet malls, and through a direct-to-consumer catalog and e-commerce operations. In addition, Johnston & Murphy shoes are distributed through the Company's wholesale operations to better department and independent specialty stores. Additionally, the Company sells the Trask brand, with men's and women's footwear and leather accessories distributed to better independent retailers and department stores.

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

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

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

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

Summary of Results of Operations
The Company's net sales increased 6.5% during the second quarter of Fiscal 2016 compared to the same quarter of Fiscal 2015. The increase reflected a 4% increase in Journeys Group sales, an 11% increase in Lids Sports Group sales, a 3% increase in Schuh Group sales and an 11% increase in Johnston & Murphy Group sales, offset slightly by a 10% decrease in Licensed Brands sales. Gross margin as a percentage of net sales decreased to 48.8% during the second quarter of Fiscal 2016, compared to 49.0% for the same period last year, reflecting decreased gross margin as a percentage of net sales in Schuh Group and Lids Sports Group, partially offset by increased gross margin as a percentage of net sales in Journeys Group, Johnston & Murphy Group and Licensed Brands. Selling and administrative expenses decreased to 46.7% of net sales during the second quarter of Fiscal 2016 from 47.2% for the same quarter of Fiscal 2015,

Explanation of Responses:

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reflecting decreases in expenses as a percentage of net sales in Schuh Group, Lids Sports Group and Johnston & Murphy Group, partially offset by increases as a percentage of net sales in Journeys Group, Licensed Brands and Corporate. Earnings from operations increased as a percentage of net sales during the second quarter of Fiscal 2016 compared to the same quarter of Fiscal 2015, reflecting increased earnings from operations as a percentage of net sales in Journeys Group, Schuh Group and Johnston & Murphy Group, partially offset by decreased earnings from operations as a percentage of net sales in Lids Sports Group and Licensed Brands.

Significant Developments

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

Asset Impairment and Other Charges
The Company recorded pretax charges of $1.2 million in the second quarter of Fiscal 2016, including a $0.9 million charge for retail store asset impairments and a $0.2 million charge for network intrusion expenses. The Company recorded pretax charges of $3.8 million in the first six months of Fiscal 2016, including charges of $2.0 million for network intrusion expenses, a $1.7 million charge for retail store asset impairments and a $0.1 million charge for other legal matters.

The Company recorded pretax charges of $1.4 million in the second quarter of Fiscal 2015, including a $0.6 million charge for network intrusion expenses, a $0.6 million charge for other legal matters and $0.4 million charge for retail store asset impairments, partially offset by a $(0.2) million gain on a lease termination. The Company recorded pretax charges of $0.3 million in the first six months of Fiscal 2015, including charges of $1.8 million for network intrusion expenses, $1.2 million for retail store asset impairments and $0.6 million for other legal matters, partially offset by a $(3.4) million gain on a lease termination of Lids store.

Comparable Sales

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

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Results of Operations - Second Quarter Fiscal 2016 Compared to Fiscal 2015

The Company's net sales in the second quarter ended August 1, 2015 increased 6.5% to $655.5 million from $615.5 million in the second quarter ended August 2, 2014, reflecting increased net sales in all of the Company's business segments except Licensed Brands, and a 7% increase in comparable sales. Gross margin increased 6.1% to $320.1 million in the second quarter this year from $301.7 million in the same period last year, but decreased as a percentage of net sales from 49.0% to 48.8%, reflecting decreased gross margin as a percentage of net sales in Schuh Group and Lids Sports Group, offset slightly by increased gross margin as a percentage of net sales in Journeys Group, Johnston & Murphy Group and Licensed Brands. Selling and administrative expenses in the second quarter this year increased 5.6% from the second quarter last year but decreased as a percentage of net sales from 47.2% to 46.7%, reflecting decreased expenses as a percentage of net sales in Schuh Group, Lids Sports Group and Johnston & Murphy Group, partially offset by increases as a percentage of net sales in Journeys Group, Licensed Brands and Corporate. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Earnings from continuing operations before income taxes (“pretax earnings”) for the second quarter ended August 1, 2015 were $11.6 million compared to $9.3 million for the second quarter ended August 2, 2014. Pretax earnings for the second quarter ended August 1, 2015 included an asset impairment and other charge of $1.2 million, primarily related to retail store asset impairments and network intrusion expenses. Pretax earnings also includes $0.6 million in expense related to the deferred purchase price obligation related to the Schuh acquisition. Because the deferred purchase price for Schuh was contingent on the payees' continuing employment with Schuh (subject to certain exceptions), U.S. Generally Accepted Accounting Principles required it to be expensed as compensation across the period of service until payment was due. Pretax earnings for the second quarter ended August 2, 2014 included an asset impairment and other charge of $1.4 million, primarily related to network intrusion expenses, retail store asset impairments and other legal matters, partially offset by a gain on a lease termination. Last year's pretax earnings also included $2.2 million in expenses related to the deferred purchase price obligation in connection with the Schuh acquisition.

Net earnings for the second quarter ended August 1, 2015 were $7.5 million ($0.32 diluted earnings per share) compared to $4.7 million ($0.20 diluted earnings per share) for the second quarter ended August 2, 2014. The Company recorded an effective income tax rate of 34.4% in the second quarter this year compared to 48.7% in the same period last year. The tax rate for the second quarter of Fiscal 2016 was lower compared to last year's second quarter reflecting expectations of increased earnings in lower tax jurisdictions reflecting the absence of a contingent bonus accrual this year and reduced deferred purchase price expense this year versus last year at Schuh. In addition, the higher rate in Fiscal 2015 was also due to the inclusion of $0.8 million of alternative minimum tax for prior years in Puerto Rico included in Fiscal 2015's second quarter tax expenses.

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Journeys Group

	Three Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$247,177	$236,838	4.4 %
Earnings from operations	$9,228	$6,820	35.3 %
Operating margin	3.7 %	2.9 %	

Net sales from Journeys Group increased 4.4% to $247.2 million for the second quarter ended August 1, 2015, compared to $236.8 million for the same period last year. The increase reflects primarily a 4% increase in comparable sales, which includes a 3% increase in same store sales and a 21% increase in comparable direct sales, while average Journeys stores operated (i.e. the sum of the number of stores open on the first day of the fiscal quarter and the last day of each fiscal month during the quarter divided by four) remained flat. The comparable sales increase reflected a 5% increase in the average price per pair of shoes while footwear unit sales decreased 2%. Journeys Group operated 1,171 stores at the end of the second quarter of Fiscal 2016, including 189 Journeys Kidz stores, 46 Shi by Journeys stores, 102 Underground by Journeys stores and 35 Journeys stores in Canada, compared to 1,172 stores at the end of the second quarter last year, including 179 Journeys Kidz stores, 49 Shi by Journeys stores, 115 Underground by Journeys stores and 32 Journeys stores in Canada.

Journeys Group earnings from operations for the second quarter ended August 1, 2015 increased 35.3% to $9.2 million compared to $6.8 million for the second quarter ended August 2, 2014. The increase was primarily due to increased net sales and increased gross margin as a percentage of net sales, reflecting changes in sales mix and decreased markdowns.

Schuh Group

	Three Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$103,204	$99,770	3.4 %
Earnings (loss) from operations	$4,892	$(197)	NM
Operating margin	4.7 %	(0.2)%	

Net sales from Schuh Group increased 3.4% to $103.2 million for the second quarter ended August 1, 2015, compared to $99.8 million for the second quarter ended August 2, 2014. The increase reflects primarily an 11% increase in average Schuh stores operated and an 8% increase in comparable sales, reflecting a 7% increase in same store sales and a 20% increase in comparable direct sales, partially offset by a decrease of $10.5 million in sales due to changes in foreign exchange rates. Schuh Group operated 113 stores, including seven Schuh Kids stores, at the end of the second quarter of Fiscal 2016, compared to 99 stores, including four Schuh Kids stores, at the end of the second quarter of Fiscal 2015.

Schuh Group earnings from operations was $4.9 million for the second quarter ended August 1, 2015 compared to a loss from operations of $(0.2) million for the second quarter ended August 2, 2014. Earnings

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included $0.6 million in the second quarter of Fiscal 2016 and $2.2 million in the second quarter of Fiscal 2015 in compensation expense related to a deferred purchase price obligation in connection with the acquisition. The loss in the second quarter last year also included $3.2 million related to accruals for a contingent bonus payment for Schuh employees provided for in the Schuh acquisition. The improvement in earnings from operations was due primarily to increased net sales and decreased expenses as a percentage of net sales, reflecting the decrease in the deferred purchase price obligation expense and the absence of contingent bonus accrual in the second quarter this year.

Lids Sports Group

	Three Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$222,218	$199,317	11.5 %
Earnings from operations	$5,593	$8,474	(34.0)%
Operating margin	2.5 %	4.3 %	

Net sales from Lids Sports Group increased 11.5% to $222.2 million for the second quarter ended August 1, 2015, compared to $199.3 million for the same period last year, reflecting primarily a comparable sales increase of 8%, which includes a 6% increase in same store sales and a 39% increase in comparable direct sales and a 3% increase in average Lids Sports Group stores operated, excluding leased departments. The increase in comparable direct sales was driven by Lids' implementing Locate, a system which gives users on-line access to inventory in stores, along with increased promotional activity as part of a program to clear excess inventory. Both comparable store sales and comparable direct sales benefited from a favorable lineup of teams in the NHL and NBA playoffs. The sales increase also reflects an 8% increase in Lids Team Sports sales. The comparable sales increase reflects a 9% increase in comparable store hat units sold, while the average price per hat decreased 3% for the second quarter this year. Lids Sports Group operated 1,344 stores at the end of the second quarter of Fiscal 2016, including 114 Lids stores in Canada, 233 Lids Locker Room and Clubhouse stores, which includes 39 Locker Room stores in Canada, and 184 Locker Room by Lids leased departments in Macy's, compared to 1,233 stores at the end of the second quarter last year, including 112 Lids stores in Canada, 206 Lids Locker Room and Clubhouse stores and 95 Locker Room by Lids leased departments in Macy's.

Lids Sports Group earnings from operations decreased 34.0% to $5.6 million for the second quarter ended August 1, 2015 compared to $8.5 million for the second quarter ended August 2, 2014. The decrease was due to decreased gross margin as a percentage of net sales, reflecting increased promotional activity to reduce inventory, increased shipping and warehouse expense, and changes in sales mix.

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Johnston & Murphy Group

	Three Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$ 60,822	$ 54,995	10.6 %
Earnings (loss) from operations	$ 846	$ (424)	NM
Operating margin	1.4 %	(0.8)%	

Johnston & Murphy Group net sales increased 10.6% to $60.8 million for the second quarter ended August 1, 2015 from $55.0 million for the second quarter ended August 2, 2014, reflecting primarily a 10% increase in comparable sales, which includes an 8% increase in same store sales and a 19% increase in comparable direct sales, a 2% increase in average stores operated for Johnston & Murphy retail operations and a 5% increase in Johnston & Murphy Group wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 3% in the second quarter of Fiscal 2016 and the average price per pair of shoes increased 1% for the same period. Retail operations accounted for 74.7% of Johnston & Murphy Group's sales in the second quarter this year, up from 73.3% in the second quarter last year. Comparable sales reflected a 6% increase in the average price per pair of shoes for Johnston & Murphy retail operations and footwear unit comparable sales increased 2%. The store count for Johnston & Murphy retail operations at the end of the second quarter of Fiscal 2016 included 172 Johnston & Murphy shops and factory stores, including seven stores in Canada, compared to 170 Johnston & Murphy shops and factory stores, including seven stores in Canada, for the second quarter of Fiscal 2015.

Johnston & Murphy Group earnings from operations for the second quarter ended August 1, 2015 increased to $0.8 million compared to a loss of $(0.4) million for the same period last year, primarily due to increased net sales, increased gross margin as a percentage of net sales, reflecting changes in sales mix, and decreased expenses as a percentage of net sales, reflecting decreased advertising and bad debt expenses.

Licensed Brands

	Three Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$ 21,942	$ 24,292	(9.7)%
Earnings from operations	$ 1,158	$ 1,873	(38.2)%
Operating margin	5.3 %	7.7 %	

Licensed Brands' net sales decreased 9.7% to $21.9 million for the second quarter ended August 1, 2015, from $24.3 million for the same period last year, reflecting decreased sales of Dockers Footwear, partially offset by increased sales of SureGrip Footwear. The sales decrease in Dockers Footwear reflects credit-related limitations on sales to a particular customer which are expected to continue at least through the current fiscal year. Unit sales for Dockers Footwear decreased 15% for the second quarter this year while the average price per pair of Dockers shoes was flat compared to the same period last year.

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Licensed Brands' earnings from operations decreased 38.2%, from $1.9 million for the second quarter last year to $1.2 million for the second quarter this year, primarily due to decreased net sales and increased expenses as a percentage of net sales, reflecting start up costs related to the launch of the Bass footwear license and increased advertising and compensation expenses.

Corporate, Interest Expenses and Other Charges
Corporate and other expense for the second quarter ended August 1, 2015 increased to $9.2 million compared to $6.5 million for the second quarter ended August 2, 2014. Corporate expense in the second quarter this year included a $1.2 million charge in asset impairment and other charges, primarily for retail store asset impairments and network intrusion expenses. Corporate and other expense in the second quarter of Fiscal 2015 included a $1.4 million charge in asset impairment and other charges, primarily for network intrusion expenses, retail store asset impairments and other legal matters. The increase in corporate expenses excluding asset impairment and other charges is due to a reversal of bonus expense in the second quarter last year, foreign exchange loss and increased professional fees and compensation.

Net interest expense increased 18.7% from $0.8 million in the second quarter last year to $0.9 million for the second quarter this year due to increased borrowings to pay Schuh's contingent bonus and final deferred purchase price payment.

Results of Operations - Six Months Fiscal 2016 Compared to Fiscal 2015

The Company's net sales in the first six months ended August 1, 2015 increased 5.8% to $1.32 billion from $1.24 billion in the first six months ended August 2, 2014, reflecting increased net sales in all of the Company's business segments except Licensed Brands, and a 6% increase in comparable sales. Gross margin increased 4.7% to $646.4 million in the first six months this year from $617.7 million in the same period last year, but decreased as a percentage of net sales from 49.6% to 49.1%, reflecting decreased gross margin as a percentage of net sales in Schuh Group, Lids Sports Group and Johnston & Murphy Group, offset slightly by increased gross margin as a percentage of net sales in Journeys Group and Licensed Brands. Selling and administrative expenses in the first six months this year increased 5.2% from the first six months last year but decreased slightly as a percentage of net sales from 46.9% to 46.6%, reflecting decreased expenses as a percentage of net sales in Journeys Group, Schuh Group and Johnston & Murphy Group, partially offset by increases as a percentage of net sales in Lids Sports Group and Licensed Brands, while Corporate expenses remained flat. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Pretax earnings for the first six months ended August 1, 2015 were $27.2 million compared to $32.3 million for the first six months ended August 2, 2014. Pretax earnings for the first six months ended August 1, 2015 included an asset impairment and other charge of $3.8 million, primarily related to network intrusion expenses, retail store asset impairments and other legal matters. Pretax earnings also includes $1.5 million in expense related to the deferred purchase price obligation related to the Schuh acquisition. Because the deferred purchase price for Schuh was contingent on the payees' continuing employment with Schuh (subject to certain exceptions), U.S. Generally Accepted Accounting Principles required it to be expensed as compensation across the period of service until payment is due. Pretax earnings for the first six months ended August 2, 2014 included an asset impairment and other charge of $0.3 million, primarily related to network intrusion expenses, retail store asset impairments and other legal matters, partially offset by a gain

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on a lease termination. Last year's pretax earnings also included $5.3 million in expenses related to the deferred purchase price obligation in connection with the Schuh acquisition.

Net earnings for the first six months ended August 1, 2015 were $17.4 million ($0.73 diluted earnings per share) compared to $18.7 million ($0.79 diluted earnings per share) for the first six months ended August 2, 2014. The Company recorded an effective income tax rate of 35.5% in the first six months this year compared to 41.6% in the same period last year. The tax rate for the first six months of Fiscal 2016 was lower compared to last year's first six months reflecting expectations of increased earnings in lower tax jurisdictions reflecting the absence of a contingent bonus accrual this year and reduced deferred purchase price expense this year versus last year at Schuh. In addition, the higher rate in Fiscal 2015 was also due to alternative minimum tax for prior years in Puerto Rico included in Fiscal 2015's second quarter tax expenses.

Journeys Group

	Six Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$525,809	$498,961	5.4 %
Earnings from operations	$33,650	$26,497	27.0 %
Operating margin	6.4 %	5.3 %	

Net sales from Journeys Group increased 5.4% to $525.8 million for the first six months ended August 1, 2015 compared to $499.0 million for the same period last year. The increase reflects primarily a 5% increase in comparable sales, which includes a 4% increase in same store sales and an 15% increase in comparable direct sales, while average Journeys stores operated (i.e. the sum of the number of stores open on the first day of the six months and the last day of each fiscal month during the six months divided by seven) remained flat. The comparable sales increase reflected a 5% increase in the average price per pair of shoes, while footwear unit sales remained flat.

Journeys Group earnings from operations for the first six months ended August 1, 2015 increased 27.0% to $33.7 million compared to $26.5 million for the first six months ended August 2, 2014. The increase was primarily due to increased net sales, increased gross margin as a percentage of net sales, reflecting decreased markdowns and changes in sales mix, and to decreased expenses as a percentage of net sales, reflecting $4.9 million in bonus expense in last year's first six months as a result of the EVA plan amendment.

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Schuh Group

	Six Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$ 181,766	$ 181,046	0.4 %
Earning (loss) from operations	$ 2,231	$ (5,338)	NM
Operating margin	1.2 %	(2.9)%	

Net sales from Schuh Group increased 0.4% to $181.8 million for the first six months ended August 1, 2015, compared to $181.0 million for the first six months ended August 2, 2014. The increase reflects primarily a 12% increase in average Schuh stores operated and a 6% increase in comparable sales, reflecting a 4% increase in same store sales and an 18% increase in comparable direct sales, offset by a decrease of $19.8 million in sales due to changes in foreign exchange rates.

Schuh Group earnings from operations were $2.2 million for the first six months ended August 1, 2015 compared to a loss of $(5.3) million for the first six months ended August 2, 2014. Earnings included $1.5 million in the first six months of Fiscal 2016 and $5.3 million in the first six months of Fiscal 2015 in compensation expense related to a deferred purchase price obligation in connection with the acquisition. The loss for the first six months last year also included $4.6 million related to accruals for a contingent bonus payment for Schuh employees provided for in the Schuh acquisition. The improvement in earnings from operations was due primarily to decreased expenses as a percentage of net sales, reflecting the decrease in the deferred purchase price obligation expense and the absence of contingent bonus accrual this year.

Lids Sports Group

	Six Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$ 428,547	$ 388,583	10.3 %
Earnings from operations	$ 2,196	$ 16,611	(86.8)%
Operating margin	0.5 %	4.3 %	

Net sales from Lids Sports Group increased 10.3% to $428.5 million for the first six months ended August 1, 2015, compared to $388.6 million for the same period last year, reflecting primarily a 5% increase in average Lids Sports Group stores operated, excluding leased departments, and a comparable sales increase of 6%, which includes a 3% increase in same store sales and a 50% increase in comparable direct sales. The increase in comparable direct sales was driven by Lids' implementing Locate, a system which gives users on-line access to inventory in stores, along with increased promotional activity as part of a program to clear excess inventory. The sales increase also reflects an 11% increase in Lids Team Sports sales. The comparable sales increase reflects a 9% increase in comparable store hat units sold, while the average price per hat decreased 4% for the first six months this year.

Lids Sports Group earnings from operations decreased 86.8% to $2.2 million for the first six months ended August 1, 2015 compared to earnings of $16.6 million for the first six months ended August 2, 2014. The decrease was due to decreased gross margin as a percentage of net sales, reflecting increased promotional

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activity to reduce inventory, increased shipping and warehouse expense, and changes in sales mix, and to increased expenses as a percentage of net sales, due primarily to increased store related expenses from the growth of 116 stores from last year in the Locker Room concepts including 89 Macy's Locker Room locations.

Johnston & Murphy Group

	Six Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$127,184	$118,392	7.4%
Earnings from operations	$4,823	$4,072	18.4%
Operating margin	3.8%	3.4%	

Johnston & Murphy Group net sales increased 7.4% to $127.2 million for the first six months ended August 1, 2015 from $118.4 million for the first six months ended August 2, 2014, reflecting primarily a 6% increase in comparable sales, which includes a 5% increase in same store sales and a 12% increase in comparable direct sales, a 1% increase in average stores operated for Johnston & Murphy retail operations and a 6% increase in Johnston & Murphy Group wholesale sales. Unit sales for the Johnston & Murphy wholesale business increased 4% in the first six months of Fiscal 2016 while the average price per pair of shoes remained flat for the same period. Retail operations accounted for 71.1% of Johnston & Murphy Group's sales in the first six months this year, up from 70.5% in the first six months last year. Comparable sales reflected a 5% increase in the average price per pair of shoes for Johnston & Murphy retail operations and a 1% increase in footwear unit comparable sales.

Johnston & Murphy Group earnings from operations for the first six months ended August 1, 2015 increased 18.4% to $4.8 million compared to $4.1 million for the same period last year, primarily due to increased net sales and decreased expenses as a percentage of net sales, reflecting decreased advertising and bad debt expenses.

Licensed Brands

	Six Months Ended		
	August 1, 2015	August 2, 2014	% Change
	(dollars in thousands)		
Net sales	$52,519	$56,754	(7.5)%
Earnings from operations	$4,181	$5,394	(22.5)%
Operating margin	8.0%	9.5%	

Licensed Brands' net sales decreased 7.5% to $52.5 million for the first six months ended August 1, 2015, from $56.8 million for the same period last year, reflecting decreased sales of Dockers Footwear and Chaps Footwear, partially offset by increased sales of SureGrip Footwear. The sales decrease in Dockers Footwear reflects credit-related limitations on sales to a particular customer which are expected to continue at least through the current fiscal year. Unit sales for Dockers Footwear decreased 12% for the first six months this year while the average price per pair of Dockers shoes increased 1% compared to the same period last year.

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Licensed Brands' earnings from operations decreased 22.5%, from $5.4 million for the first six months last year to $4.2 million for the first six months this year, primarily due to decreased net sales and increased expenses as a percentage of net sales, reflecting start-up costs for the launch of the Bass footwear license and increased advertising, bad debt, compensation and freight expenses.

Corporate, Interest Expenses and Other Charges

Corporate and other expense for the first six months ended August 1, 2015 increased to $18.3 million compared to $13.4 million for the first six months ended August 2, 2014. Corporate expense in the first six months this year included a $3.8 million charge in asset impairment and other charges, primarily for network intrusion expenses, retail store asset impairments and other legal matters. Corporate and other expense in the first six months of Fiscal 2015 included a $0.3 million charge in asset impairment and other charges, primarily for network intrusion expenses, retail store asset impairments and other legal matters, partially offset by a gain on a lease termination of a Lids store. The increase in corporate expenses excluding asset impairment and other charges is due to increased compensation, foreign exchange loss and increased professional fees.

Net interest expense increased 6.1% from $1.5 million in the first six months last year to $1.6 million for the first six months this year due to the borrowings in the second quarter this year to fund the Schuh contingent bonus and deferred purchase price payments.

Liquidity and Capital Resources

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

	August 1, 2015	January 31, 2015	August 2, 2014
	(dollars in millions)		
Cash and cash equivalents	$ 49.0	$ 112.9	$ 59.3
Working capital	$ 516.3	$ 441.7	$ 439.2
Long-term debt (including current portion)	$ 113.5	$ 29.2	$ 76.4

Working Capital

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

Cash used in operating activities was $95.2 million in the first six months of Fiscal 2016 compared to cash provided by operating activities of $7.9 million in the first six months of Fiscal 2015. The $103.1 million decrease in cash flow from operating activities from last year reflects a decrease in cash flow from changes in other accrued liabilities and other assets and liabilities combined and inventory of $64.7 million and $38.6 million, respectively. The $64.7 million decrease in cash flow from other accrued liabilities and other assets and liabilities combined reflects the Schuh contingent bonus, deferred purchase price and other acquisition related payments and an increase in income tax payments this year versus last year. The $38.6 million decrease in cash flow from inventory reflects seasonal increases in retail inventory for anticipated back-to-school sales, principally in the Journeys Group due to changes in buying patterns versus last year.

The $135.7 million increase in inventories at August 1, 2015 from January 31, 2015 levels reflected increased retail inventory in all business units, partially offset by seasonal decreases in Licensed Brands inventory.

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Accounts receivable at August 1, 2015 increased by $2.8 million compared to January 31, 2015, due primarily to increased sales in the Lids Team Sports wholesale business.

Sources of Liquidity

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

On January 31, 2014, the Company entered into a Third Amended and Restated Credit Agreement (the “Credit Facility”) with the lenders party thereto and Bank of America, N.A., as agent, providing for a revolving credit facility in the aggregate principal amount of $400.0 million, including a $70.0 million sublimit for the issuance of letters of credit and a domestic swingline subfacility of up to $40.0 million, a revolving credit subfacility for the benefit of GCO Canada, Inc. in an aggregate amount not to exceed $25.0 million, which includes a $5.0 million sublimit for the issuance of letters of credit, and revolving credit subfacility for the benefit of Genesco (UK) Limited in an aggregate amount not to exceed $50.0 million, which includes a $10.0 million sublimit for the issuance of letters of credit and a swingline subfacility of up to $10.0 million. The facility has a five-year term. Any swingline loans and any letters of credit and borrowings under the Canadian and U.K. facilities will reduce the availability under the Credit Facility on a dollar-for-dollar basis.

The Company has the option, from time to time, to increase the availability under the Credit Facility by an aggregate amount of up to $150.0 million subject to, among other things, the receipt of commitments for the increased amount. In connection with this increased facility, the Canadian revolving credit facility may be increased up to no more than $40.0 million.

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

The aggregate amount of the loans made and letters of credit issued under the Credit Facility shall at no time exceed the lesser of the facility amount ($400.0 million or, if increased as described above, up to $550.0 million or $600.0 million, respectively) or the "Borrowing Base", which generally is based on 90% of eligible inventory plus 85% of eligible wholesale receivables (50% of eligible wholesale receivables of the Lids Team Sports business) plus 90% of eligible credit card and debit card receivables less applicable reserves (the "Loan Cap"). The relevant assets of Genesco (UK) Limited will be included in the Borrowing Base if the additional $50.0 million sublimit increase is exercised, provided that amounts borrowed by Genesco (UK) Limited based solely on its own borrowing base will be limited to $50.0 million and the total outstanding to Genesco (UK) Limited will not exceed 30% of the Loan Cap.

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

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

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There were $45.0 million in UK term loans and $27.4 million in UK revolver loans outstanding at August 1, 2015. The UK Credit Facilities contain certain covenants at the Schuh level including a minimum interest coverage covenant of 4.50x and thereafter, a maximum leverage covenant initially set at 2.25x declining over time at various rates to 1.75x beginning in April 2017 and a minimum cash flow coverage of 1.00x. The Company was in compliance with all the covenants at August 1, 2015. The UK Credit Facilities are secured by a pledge of all the assets of Schuh and its subsidiaries. The Company’s UK Credit Facilities prohibit the payment of any dividends by Schuh or its subsidiaries to the Company.

The Company's revolving credit borrowings averaged $5.1 million during the six months ended August 1, 2015 and revolving borrowings averaged $5.4 million during the six months ended August 2, 2014, as cash on hand, cash generated from operations and revolver borrowings primarily funded seasonal working capital requirements and capital expenditures for the first six months of each year.

There were $14.4 million of letters of credit outstanding and $41.1 million of revolver borrowings outstanding, including $15.6 million (£10.0 million) related to Genesco (UK) Limited, under the Credit Facility at August 1, 2015. The Company is not required to comply with any financial covenants under the Credit Facility unless Excess Availability (as defined in the Credit Agreement) is less than the greater of $25.0 million or 10.0% of the Loan Cap (as defined in the Credit Agreement). If and during such time as Excess Availability is less than the greater of $25.0 million or 10.0% of the Loan Cap, the Credit Facility requires the Company to meet a minimum fixed charge coverage ratio of (a) an amount equal to consolidated EBITDA less capital expenditures and taxes paid in cash, in each case for such period, to (b) fixed charges for such period, of not less than 1.0:1.0. Excess Availability was $360.1 million at August 1, 2015. Because Excess Availability exceeded $25.0 million or 10.0% of the Loan Cap, the Company was not required to comply with this financial covenant at August 1, 2015.

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

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

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The Company's contractual obligations at August 1, 2015 decreased approximately 3% from January 31, 2015 due primarily to a decrease in purchase obligations and a decrease in the Schuh acquisition related obligation due to payments made in the second quarter this year, partially offset by increased lease obligations and an increase in long-term debt.

Capital Expenditures

Total capital expenditures in Fiscal 2016 are expected to be approximately $118 million. These include retail capital expenditures of approximately $103 million to open approximately 20 Journeys stores, including five in Canada, 20 Journeys Kidz stores, 18 Schuh stores, including four Schuh Kids stores, eight Johnston & Murphy shops and factory stores and 26 Lids Sports Group stores, including 15 Lids stores, with five stores in Canada, and six Lids Locker Room and Clubhouse stores, and to complete approximately 150 major store renovations. Also included in the $103 million retail capital expenditures, is approximately $27 million for a new office building for the Company's Lids Sport Group, distribution center improvements and computer hardware and software. The planned amount of capital expenditures in Fiscal 2016 for wholesale operations and other purposes is approximately $15 million, including approximately $6.8 million for new systems.

Future Capital Needs

The Company expects that cash on hand, cash provided by operations and borrowings under its Credit Facilities will be sufficient to support seasonal working capital and capital expenditure requirements during Fiscal 2016. In addition to the seasonal working capital requirements, the Company paid approximately $73 million related to the Schuh contingent bonus, deferred purchase price and other acquisition related payments during the first six months of Fiscal 2016. The Company funded these payments from a combination of cash on hand, cash generated from operations, U.K. bank borrowings and borrowings under the Credit Facility. The approximately $10.5 million of costs associated with discontinued operations that are expected to be paid during the next twelve months are expected to be funded from cash on hand, cash generated from operations and borrowings under the Credit Facility during Fiscal 2016.

The Company had total available cash and cash equivalents of $49.0 million, $112.9 million and $59.3 million as of August 1, 2015, January 31, 2015 and August 2, 2014, respectively, of which approximately $17.4 million, $25.2 million and $25.9 million was held by the Company's foreign subsidiaries as of August 1, 2015, January 31, 2015 and August 2, 2014, respectively. The Company's strategic plan does not require the repatriation of foreign cash in order to fund its operations in the U.S., and it is the Company's current intention to permanently reinvest its foreign cash and cash equivalents outside of the U.S. If the Company were to repatriate foreign cash to the U.S., it would be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations as a result of the repatriation.

Common Stock Repurchases

The Company repurchased 424,384 shares of common stock during the three and six months ended August 1, 2015 for $27.5 million of which $5.8 million was not paid in the second quarter but included in other accrued liabilities in the Condensed Consolidated Balance Sheets. The Company has $33.4 million remaining under its current $75.0 million share repurchase authorization. The Company did not repurchase any shares during the three and six months ended August 2, 2014.

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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 9 to the Condensed Consolidated Financial Statements. The Company has made pretax accruals for certain of these contingencies, including approximately $0.1 million and $0.2 million for the second quarter of Fiscal 2016 and 2015, respectively, and $0.2 million and $0.4 million for the first six months of Fiscal 2016 and 2015, respectively. These charges are included in provision for discontinued operations, net in the Condensed Consolidated Statements of Operations because they relate to former facilities operated by the Company. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's 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, 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.

Outstanding Debt of the Company - The Company has $45.0 million of outstanding U.K. term loans at a weighted average interest rate of 2.63% as of August 1, 2015. A 100 basis point increase in interest rates would increase annual interest expense by $0.4 million on the $45.0 million term loans. The Company has $27.4 million of outstanding U.K. revolver borrowings at a weighted average interest rate of 2.77% as of August 1, 2015. A 100 basis point increase in interest rates would increase annual interest expense by $0.3 million on the $27.4 million revolver borrowings. The Company has $41.1 million of outstanding U.S. revolver borrowings at a weighted average interest rate of 2.92% as of August 1, 2015. A 100 basis point increase in interest rates would increase annual interest expense by $0.4 million on the $41.1 million revolver borrowings.

Cash and Cash Equivalents - The Company's cash and cash equivalent balances are invested in financial instruments with original maturities of three months or less. The Company did not have significant exposure to changing interest rates on invested cash at August 1, 2015. As a result, the Company considers the interest rate market risk implicit in these investments at August 1, 2015 to be low.

Accounts Receivable - The Company's accounts receivable balance at August 1, 2015 is concentrated in two of its footwear wholesale businesses, which sell primarily to department stores and independent retailers across the United States and its Lids Team Sports wholesale business, which sells primarily to colleges and high school athletic teams and their fan bases. Including both footwear wholesale and Lids Team Sports wholesale business receivables, one customer accounted for 6%, one customer accounted for 5%, while no other customer accounted for more than 4% of the Company's total trade receivables balance as of August 1, 2015. The Company monitors the credit quality of its customers and establishes an allowance for doubtful accounts based upon factors surrounding credit risk of specific customers, historical trends and other information, as well as customer specific factors; however, credit risk is affected by conditions or occurrences within the economy and the retail industry, as well as company-specific information.

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

Summary - Based on the Company's overall market interest rate exposure at August 1, 2015, 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 2016 would not be material.

New Accounting Principles
Descriptions of the recently issued accounting principles, if any, and the accounting principles adopted by the Company during the six months ended August 1, 2015 are included in Note 1 to the Condensed Consolidated Financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.
The Company has established disclosure controls and procedures designed to ensure that information required to be disclosed by the Company, including its consolidated subsidiaries, in the reports it files or submits under the Securities Exchange Act of 1934, as amended (the"Exchange Act"), is made known to the officers who certify the Company's financial reports and to other members of senior management. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired objectives.

Based on their evaluation as of August 1, 2015, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within time periods specified in SEC rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.
There were no changes in the Company's internal control over financial reporting that occurred during the Company's second quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company incorporates by reference the information regarding legal proceedings in Note 9 of the Company's Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

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

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
May 2015				
5-3-15 to 5-30-15	—	$—	—	$—
June 2015				
5-31-15 to 6-27-15[1]	23,817	$65.69	23,817	$59,343
5-31-15 to 6-27-15[2]	20,617	$66.58		
July 2015				
6-28-15 to 8-1-15[1]	400,567	$64.70	400,567	$33,428
6-28-15 to 8-1-15[2]	45,166	$65.74	—	$—

(1) Share repurchases were made pursuant to the share repurchase program described under Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company expects to implement the balance of the repurchase program through purchases made from time to time either in the open market or through private transactions, in accordance with the regulations of the SEC and other applicable legal requirements.

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

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Item 6. Exhibits

Exhibits

(31.1)	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32.2)	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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SIGNATURE

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

Genesco Inc.

By: /s/ Mimi E. Vaughn
Mimi E. Vaughn
Senior Vice President - Finance and
Chief Financial Officer

Date: September 10, 2015

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