

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
450 Fifth Street NW
Washington, D.C. 29549

Form 8-K

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

Date of Report (Date of earliest event reported): March 21, 2006

THE CATO CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction
of Incorporation)

1-31340

(Commission
File Number)

56-0484485

(I.R.S. Employer
Identification Number)

8100 Denmark Road, Charlotte, North Carolina

(Address of Principal Executive Offices)

28273-5975

(Zip Code)

(704) 554-8510

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry Into a Material Definitive Agreement

As discussed in Item 5.02 below, The Cato Corporation (the "Company") has announced the hiring of Reynolds C. Faulkner as Executive Vice President and Chief Financial Officer of the Company, effective as of May 15, 2006. In connection with Mr. Faulkner's hiring, Mr. Faulkner and the Company entered into a letter agreement ("Agreement"), effective as of March 21, 2006, that sets forth certain terms regarding his employment. A copy of the Agreement is attached hereto as Exhibit 99.1.

Pursuant to the Agreement, Mr. Faulkner will serve as Executive Vice President and Chief Financial Officer of the Company. His initial annual base salary will be \$350,000 per year.

Mr. Faulkner will be eligible to receive a performance bonus of up to 75% of base salary based upon the achievement of the Company and individual performance goals for fiscal 2006.

As of his effective hire date, Mr. Faulkner will be granted 12,500 restricted shares of the Company's Class A Common Stock. These restricted shares will be granted pursuant to the Company's 2004 Incentive Compensation Plan, and will vest over 5 years at the rate of 1/3 per year as of the end of years 3, 4 and 5, respectively.

If Mr. Faulkner's employment is terminated without cause, he will be entitled to receive 12 months' severance pay, subject to his execution of a separation and confidentiality agreement.

In connection with Mr. Faulkner's relocation to the Charlotte, North Carolina area, the Company will pay all reasonable and customary moving charges and for Mr. Faulkner's temporary housing for 90 days. In addition, the Company will pay Mr. Faulkner a one-time relocation allowance of \$30,000. Mr. Faulkner has agreed to reimburse the Company in full for all such moving, temporary housing, relocation allowance and other relocation expenses in the event he resigns during the first 24 months of his employment.

Mr. Faulkner will be entitled to participate in the Company's employee benefit plans as provided to other employees, including the Company's 401(k) Plan, Employee Stock Purchase Plan and vacation plan.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

On March 22, 2006, the Company issued a press release announcing the hiring of Reynolds C. Faulkner as its new Executive Vice President and Chief Financial Officer, effective as of May 15, 2006. A copy of the press release is attached hereto as Exhibit 99.2, and the contents thereof are incorporated herein by reference. Mr. Faulkner, who is 42 years old, has served in various executive positions with Kirkland's, Inc., Jackson, Tennessee, from 1998 through 2006, most recently as Executive Vice President and Chief Financial Officer.

Item 9.01 Financial Statements and Exhibits

Exhibits

99.1 Letter Agreement between the Company and Reynolds C. Faulkner

99.2 Press release issued on March 22, 2006

SIGNATURES

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 hereunto duly authorized.

THE CATO CORPORATION

March 22, 2006

Date

/s/ John P. D. Cato

John P. D. Cato
Chairman, President and
Chief Executive Officer

March 22, 2006

Date

/s/ Robert M. Sandler

Robert M. Sandler
Senior Vice President
Controller

Exhibit Index

Exhibit

- 99.1 Letter Agreement between the Company and Reynolds C. Faulkner
- 99.2 Press release issued on March 22, 2006



March 21, 2006

Reynolds Faulkner
20 Deepwood Drive
Jackson, TN 38305

Dear Rennie:

We are very pleased to offer you the position of Executive Vice President, Chief Financial Officer for the Cato Corporation. Listed below are the specific terms of the offer, which we have discussed and agreed upon:

Position:	Executive Vice President, Chief Financial Officer
Salary:	\$350,000 annual salary paid monthly at \$29,166.66 on the last day of the month for that month.
Performance Bonus:	Bonus potential of up to 75% of salary, based on company and individual performance for fiscal 2006. The company has paid an average of 69% of bonus potential for the past six years. Assuming this average, your bonus would be \$181,125 based on your annual salary.
Restricted Stock:	12,500 shares, subject to 5-year vesting from date of employment with 1/3 of the shares vesting at the end of the third year, 1/3 of the shares vesting at the end of the fourth year and 1/3 of the shares vesting at the end of the fifth year.
Employment Agreement:	Twelve months severance pay, if terminated without cause, provided with signed separation and confidentiality agreement.
Performance Review:	The performance review process is conducted the first quarter of the fiscal year for the previous year. All reviews are a result of meeting corporate and individual objectives. You will be eligible for a merit increase for your performance in fiscal year 2006 with an effective date of May 1, 2007.

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510

Relocation Allowance:

Cato will pay all reasonable and customary charges to move you and your household possessions to the Charlotte area, as well as, 90 days temporary housing. In addition, Cato will pay a one-time relocation allowance of \$30,000 upon establishing your primary residency in Charlotte. However, if within the first 24 months after joining the company, you decide to resign from the Company, you agree to re-pay the \$30,000 relocation allowance in full and immediately, as well as all costs associated with your move and temporary housing. The relocation allowance is subject to taxes.

Benefits:

Per company benefits.

401K/Profit Sharing: The Company has historically matched 100% of associate contributions. The company has the potential to match up to 3% of your salary or \$6,300 current maximum on a pre-tax basis. In addition, the Company has also given a profit sharing contribution based on company profits, averaging .77% of our associates salary over past years. This could amount to an additional \$2,695 to you based on your salary.

Employee Stock Purchase Plan: You may enroll in the Employee Stock Purchase Plan on April 1 or October 1. You may purchase Cato stock at a 15% discount up to a maximum of 10% of your pay or \$21,250 annually.

Paid Time Off ("PTO"): 15 days of PTO per year until the end of the fifth year. At the end of the fifth year, PTO will accrue as per company policy.

Rennie, there are many exciting opportunities ahead for The Cato Corporation. We are very enthused about the prospects for our Company and its Associates. We are confident that you will provide significant contributions and make a strong positive impact in our future success.

Please sign this original and return to me signifying your acceptance of these terms (a self-addressed envelope is enclosed for your convenience). A copy is also enclosed for your retention. Please contact me at (704) 571-7780 if you have any questions or need assistance in any way. Once again, welcome to Cato.

Sincerely Yours,

Robert C. Brummer
Senior Vice President
Human Resources

Accepted:

Reynolds Faulkner ___/___/___
Date



FOR IMMEDIATE RELEASE

NEWS RELEASE

CEO Approval _____

For Further Information Contact:

Stuart L. Uselton
Vice President
Treasurer
704-940-7832

**THE CATO CORPORATION ANNOUNCES THE APPOINTMENT OF A NEW
CHIEF FINANCIAL OFFICER**

Charlotte, NC (March 22, 2006) — The Cato Corporation (NYSE:CTR) announced today the appointment of Reynolds C. Faulkner as Executive Vice President, Chief Financial Officer effective May 15, 2006. Mr. Faulkner will report to John Cato, Chairman, President and Chief Executive Officer and be responsible for all financial aspects of the Company as well as distribution and information technology. From 1998 through 2006, Mr. Faulkner was Chief Financial Officer of Kirkland's Inc., Jackson, Tennessee, with his most recent position being Executive Vice President, Chief Financial Officer. From 1989 through 1998, Mr. Faulkner was an investment banker with The Robinson-Humphrey Company, Inc., Atlanta, Georgia, with his last position that of Managing Director and head of the firm's Consumer and Retail Industry practice.

"I am pleased to announce the addition of Rennie to our management team," stated Mr. Cato. "His experience in retail and finance bring unique value to Cato."

The Cato Corporation is a leading specialty retailer of value-priced women's fashion apparel operating two divisions, "Cato" and "It's Fashion!". The Company offers exclusive merchandise with fashion and quality comparable to mall specialty stores at low prices, every day. As of February 25, 2006, the Company operated 1,242 stores in 31 states.

8100 Denmark Road
P.O. Box 34216
Charlotte, NC 28234
(704) 554-8510