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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 28, 2000

OR

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

For the transition period from ________________to__________________

Commission file number 0-3747

THE CATO CORPORATION AND SUBSIDIARIES
(Exact name of registrant as specified in its charter)

Delaware	56-0484485
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

8100 Denmark Road, Charlotte, North Carolina 28273-5975
(Address of principal executive offices)
(Zip Code)

(704) 554-8510
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]   No [ ]

As of November 14, 2000, there were 19,538,223 shares of Class A Common Stock and 5,364,317 shares of Class B Common Stock outstanding.

THE CATO CORPORATION

FORM 10-Q

OCTOBER 28, 2000

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PART I FINANCIAL INFORMATION

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 28, 2000 (UNAUDITED)	October 30, 1999 (Unaudited)	OCTOBER 28, 2000 (UNAUDITED)	October 30, 1999 (Unaudited)
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)			
REVENUES				
Retail sales	$ 136,856	$ 127,367	$ 462,385	$ 429,196
Other income (principally finance and layaway charges)	4,764	4,990	15,157	14,844
Total revenues	141,620	132,357	477,542	444,040
COSTS AND EXPENSES				
Cost of goods sold	97,429	90,247	312,768	290,364
Selling, general and administrative	35,014	34,485	110,890	105,525
Depreciation	2,320	2,202	7,075	6,334
Interest	15	5	32	16
Total expenses	134,778	126,939	430,765	402,239
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	6,842	5,418	46,777	41,801
Income tax expense	2,395	1,896	16,372	14,630
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	4,447	3,522	30,405	27,171
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX ($79)	--	--	--	147
NET INCOME	$ 4,447	$ 3,522	$ 30,405	$ 27,318
BASIC EARNINGS PER SHARE	$ .18	$ .13	$ 1.22	$ 1.03
DILUTED EARNINGS PER SHARE	$ .18	$ .13	$ 1.20	$ 1.01
DIVIDENDS PER SHARE	$ .10	$ .075	$ .30	$ .205

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	OCTOBER 28, 2000 (UNAUDITED)	October 30, 1999 (Unaudited)	January 29, 2000
	(DOLLARS IN THOUSANDS)		
ASSETS			
Current Assets			
Cash and cash equivalents	$ 6,940	$ 26,502	$ 30,389
Short-term investments	58,888	54,347	56,886
Accounts receivable - net	44,598	44,126	45,458
Merchandise inventories	94,734	90,355	69,497
Deferred income taxes	3,796	3,969	4,093
Prepaid expenses	1,780	1,520	2,494
Total Current Assets	210,736	220,819	208,817
Property and Equipment - net	82,236	67,032	69,338
Other Assets	8,442	6,524	7,634
Total	$ 301,414	$ 294,375	$ 285,789
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	$ 63,415	$ 62,209	$ 54,707
Accrued expenses	22,477	24,358	24,392
Income taxes	4,312	5,250	4,730
Total Current Liabilities	90,204	91,817	83,829
Deferred Income Taxes	5,550	5,801	5,806
Other Noncurrent Liabilities	7,930	7,413	7,374
Stockholders' Equity			
Preferred Stock, $100 par value per share, 100,000 shares authorized, none issued	--	--	--
Class A Common Stock, $.033 par value per share, 50,000,000 shares authorized; issued 24,296,971 shares, 24,163,587 shares and 24,173,480 shares at October 28, 2000, October 30, 1999 and January 29, 2000, respectively	810	805	805
Convertible Class B Common Stock, $.033 par value per share, 15,000,000 shares authorized; issued 5,364,317 shares, 5,264,317 shares and 5,364,317 shares at October 28, 2000, October 30, 1999 and January 29, 2000, respectively	179	176	179
Additional paid-in capital	73,034	70,640	71,974
Retained earnings	169,651	142,230	146,881
Accumulated Other Comprehensive Loss	(1,458)	(1,108)	(1,801)
Unearned Compensation - Restricted Stock Awards	(763)	--	(984)
	241,453	212,743	217,054
Less Class A Common Stock in treasury, at cost (4,759,148 shares at October 28, 2000, 2,883,948 shares at October 30, 1999 and 3,290,348 shares at January 29, 2000, respectively)	(43,723)	(23,399)	(28,274)
Total Stockholders' Equity	197,730	189,344	188,780
Total	$ 301,414	$ 294,375	$ 285,789

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED	
	OCTOBER 28, 2000 (UNAUDITED)	October 30, 1999 (Unaudited)
	(DOLLARS IN THOUSANDS)	
OPERATING ACTIVITIES		
Net income	$ 30,405	$ 27,318
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,075	6,334
Amortization of investment premiums	101	138
Compensation expense related to restricted stock award	221	--
Loss on disposal of property and equipment	881	405
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	860	410
Merchandise inventories	(25,237)	(29,243)
Other assets	(94)	500
Accrued income taxes	(418)	5,053
Accounts payable and other liabilities	7,391	14,353
Net cash provided by operating activities	21,185	25,268
INVESTING ACTIVITIES		
Expenditures for property and equipment	(20,854)	(19,032)
Purchases of short-term investments	(9,447)	(20,013)
Sales of short-term investments	7,687	5,619
Net cash used in investing activities	(22,614)	(33,426)
FINANCING ACTIVITIES		
Dividends paid	(7,636)	(5,454)
Purchases of treasury stock	(15,449)	(4,697)
Proceeds from employee stock purchase plan	445	436
Proceeds from stock options exercised	620	307
Net cash used in financing activities	(22,020)	(9,408)
Net Decrease in Cash and Cash Equivalents	(23,449)	(17,566)
Cash and Cash Equivalents at Beginning of Period	30,389	44,068
Cash and Cash Equivalents at End of Period	$ 6,940	$ 26,502

See accompanying notes to condensed consolidated financial statements.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2000
AND OCTOBER 30, 1999

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NOTE 1 - GENERAL:

The consolidated financial statements have been prepared from the accounting records of The Cato Corporation and its wholly-owned subsidiaries (the Company), and all amounts shown at October 28, 2000 and October 30, 1999 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of the interim period may not be indicative of the entire year.

The interim financial statements should be read in conjunction with the financial statements and notes thereto, included in the Company's Annual Report in Form 10-K for the fiscal year ended January 29, 2000.

The Company's short-term investments are classified as available-for-sale securities, and therefore, are carried at fair value, with unrealized gains and losses, net of income taxes, reported as a component of other comprehensive income.

Total comprehensive income for the third quarter and nine months ended October 28, 2000 was $4,636,000 and $30,748,000, respectively. Total comprehensive income for the third quarter and nine months ended October 30, 1999 was $3,277,000 and $25,986,000, respectively. Total comprehensive income is composed of net income and net unrealized gains and losses on available-for-sale securities.

Merchandise inventories are stated at the lower of cost (first-in, first-out method) or market as determined by the retail inventory method.

In the first quarter of fiscal 2000, the Company repurchased 1,468,800 shares of Class A Common Stock for $15,449,000, or an average price of $10.52 per share. In the first quarter of fiscal 1999, the Company repurchased 569,000 shares of Class A Common Stock for $4,577,000, or an average price of $8.04 per share. In March 1999, the Company transferred 63,000 shares of Class A Common Stock from treasury stock to its Employee Stock Ownership Plan as the contribution for the fiscal year ended January 30, 1999.

The provisions for income taxes are based on the Company's estimated annual effective tax rate.

Effective for fiscal 1999, the Company changed its policy for recognizing revenues related to layaway sales to comply with the Securities and Exchange Commissions Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). Revenues for layaway sales and related fees are recognized when the layaway merchandise is delivered to the customer. Previously, revenues were recognized at the time of the sale. The Company accounted for the adoption of SAB 101 as a change in accounting principle and recorded a cumulative effect in the first quarter of fiscal 1999. The cumulative effect of this accounting

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2000
AND OCTOBER 30, 1999

NOTE 1 - GENERAL CONTINUED:

change resulted in an increase in net income of $147,000, net of income tax of $79,000, or $.01 per share. This increase was driven by the release of the Company's layaway reserve, which slightly exceeded the associated margin on previously recognized layaway sales. The proforma effect of retroactive application of the accounting change on fiscal 1998 is immaterial to the financial statements.

NOTE 2 - EARNINGS PER SHARE:

Earnings per share is calculated by dividing net income by the weighted-average number of Class A and Class B common shares outstanding during the respective periods. The weighted-average shares outstanding is used in the basic earnings per share calculation, while the weighted-average shares and equivalents outstanding is used in the diluted earnings per share calculation.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 28, 2000	October 30, 1999	OCTOBER 28, 2000	October 30, 1999
Weighted-average shares outstanding (basic)	24,865,073	26,523,490	24,980,060	26,559,736
Dilutive effect of stock options	415,829	579,744	396,733	469,030
Weighted-average shares and equivalents outstanding (diluted)	25,280,902	27,103,234	25,376,793	27,028,766

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION:

Income tax payments, net of refunds received, for the nine months ended October 28, 2000 and October 30, 1999 were $17,435,000 and $10,021,000, respectively.

NOTE 4 - FINANCING ARRANGEMENTS:

At October 28, 2000, the Company had an unsecured revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until July 2003. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. The Company was in compliance with all financial covenants and ratios and there were no borrowings outstanding under the agreement at October 28, 2000, October 30, 1999 or January 29, 2000.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 28, 2000
AND OCTOBER 30, 1999

NOTE 5 - REPORTABLE SEGMENT INFORMATION:

The Company has two reportable segments: retail and credit. The following schedule summarizes certain segment information (in thousands):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 28, 2000	October 30, 1999	OCTOBER 28, 2000	October 30, 1999
Revenues:				
Retail	$ 138,142	$ 129,438	$ 467,421	$ 435,396
Credit	3,478	2,919	10,121	8,644
Total	$ 141,620	$ 132,357	$ 477,542	$ 444,040
Income before taxes and cumulative effect of accounting change:				
Retail	$ 5,591	$ 4,250	$ 43,356	$ 38,773
Credit	1,251	1,168	3,421	3,028
Total	$ 6,842	$ 5,418	$ 46,777	$ 41,801

THE CATO CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items in the Company's unaudited Condensed Consolidated Statements of Income as a percentage of total retail sales:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 28, 2000	October 30, 1999	OCTOBER 28, 2000	October 30, 1999
Total retail sales	100.0%	100.0%	100.0%	100.0%
Total revenues	103.5	103.9	103.3	103.4
Cost of goods sold	71.2	70.9	67.7	67.6
Selling, general and administrative	25.6	27.0	24.0	24.6
Income before income taxes	5.0	4.3	10.1	9.7
Net income	3.2	2.8	6.6	6.3

COMPARISON OF THIRD QUARTER AND FIRST NINE MONTHS OF 2000 WITH 1999.

OPERATING RESULTS

Total retail sales for the third quarter were $136.9 million compared to last year's third quarter sales of $127.4 million, a 7% increase. Same-store sales increased 2% in the third quarter. For the nine months ended October 28, 2000, total retail sales were $462.4 million compared to last year's first nine months sales of $429.2 million, an 8% increase, and same-store sales increased 1% for the comparable nine month period. The increase in retail sales for the first nine months of 2000 resulted from the Company's continued everyday low pricing strategy, improved merchandise offerings, and an increase in store development activity. The Company operated 847 stores at October 28, 2000 compared to 794 stores at the end of last year's third quarter.

Other income for the third quarter decreased 5% over the prior year's comparable period. The decrease in the third quarter resulted primarily from a reduction of interest income.

Cost of goods sold were 71.2% and 67.7% of total retail sales for the third quarter and first nine months of 2000, respectively, compared to 70.9% and 67.6% for last year's comparable three and nine month periods. The slight increase in cost of goods sold as a percentage of retail sales for the third quarter was attributable to an increase in freight and distribution costs.

OPERATING RESULTS - CONTINUED

Selling, general and administrative (SG&A) expenses were $35.0 million and $110.9 million for the third quarter and first nine months of this year, compared to $34.5 million and $105.5 million for last year's comparable three and nine month periods, respectively. SG&A expenses as a percentage of retail sales for the third quarter and first nine months of 2000 declined 140 and 60 basis points, respectively, over the prior year as expenses remained well controlled and under plan.

Effective for fiscal 1999, the Company changed its policy for recognizing revenues related to layaway sales to comply with the Securities and Exchange Commissions Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). Revenues for layaway sales and related fees are recognized when the layaway merchandise is delivered to the customer. Previously, revenues were recognized at the time of the sale. The Company accounted for the adoption of SAB 101 as a change in accounting principle and recorded a cumulative effect in the first quarter of fiscal 1999. The cumulative effect of this accounting change resulted in an increase in net income of $147,000, net of income tax of $79,000, or $.01 per share. This increase was driven by the release of the Company's layaway reserve, which slightly exceeded the associated margin on previously recognized layaway sales. The proforma effect of retroactive application of the accounting change on fiscal 1998 is immaterial to the financial statements.

LIQUIDITY AND CAPITAL RESOURCES

At October 28, 2000, the Company had working capital of $120.5 million, compared to $129.0 million at October 30, 1999 and $125.0 million at January 29, 2000. Cash provided by operating activities was $21.2 million for the nine months ended October 28, 2000, compared to $25.3 million for last year's comparable nine month period. The decrease resulted primarily from a decrease in the change of accounts payable and other liabilities and accrued income taxes offset by a decrease in the change of merchandise inventories and an increase in net income. At October 28, 2000, the Company had cash, cash equivalents, and short-term investments of $65.8 million, compared to $80.8 million at October 30, 1999 and $87.3 million at January 29, 2000.

Net cash used in investing activities totaled $22.6 million for the first nine months of 2000 compared to $33.4 million for the comparable period of 1999. Cash was used primarily to fund capital expenditures for new, relocated and remodeled stores and for new technology. The decrease in cash used was primarily related to a decrease in purchases of short-term investments in fiscal 2000 as compared to fiscal 1999.

Expenditures for property and equipment totaled $20.9 million for the nine months ended October 28, 2000, compared to $19.0 million of expenditures in last year's first nine months. The Company expects total capital expenditures to be approximately $28 million for the current

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LIQUIDITY AND CAPITAL RESOURCES - CONTINUED

fiscal year. The Company intends to open approximately 65 new stores, relocate 32 stores, remodel 100 stores and close 13 stores during the current fiscal year. For the nine months ended October 28, 2000, the Company had opened 47 new stores, relocated 29 stores, remodeled 80 stores and closed nine stores.

Net cash used in financing activities totaled $22.0 million for the first nine months of 2000 compared to $9.4 million for the comparable period of 1999. The increase was due primarily from its share buyback program and an increase in dividends paid in fiscal 2000 as compared to fiscal 1999.

At October 28, 2000, the Company had an unsecured revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until July 2003. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. The Company was in compliance with all financial covenants and ratios and there were no borrowings outstanding under the agreement at October 28, 2000, October 30, 1999 or January 29, 2000.

In February 2000, the Board of Directors increased the quarterly dividend by 33% from $.075 per share to $.10 per share.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB issued SFAS No. 138, which amended certain provisions of SFAS 133. The Company will adopt SFAS 133 and the corresponding amendments under SFAS 138 on February 4, 2001. The Company has performed an inventory of embedded derivatives and does not believe that it has any derivatives (embedded or otherwise) that would have to be disclosed and fair valued under SFAS 133, as amended by SFAS 138. This statement should have no impact on the Company's consolidated results of operations and financial position.

At October 28, 2000, October 30, 1999 and January 29, 2000, the Company's investment portfolio consisted of governmental debt securities with maturities of up to 36 months. These securities are classified as available-for-sale, and are recorded on the balance sheet at fair value with unrealized gains and losses reported as accumulated other comprehensive loss.

The Company believes that its cash, cash equivalents and short-term investments, together with cash flows from operations and borrowings available under its revolving credit agreement, will be adequate to fund the Company's proposed capital expenditures and other operating requirements during fiscal 2000.

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LIQUIDITY AND CAPITAL RESOURCES - CONTINUED

Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in the Form 10-Q and located elsewhere herein regarding the Company's financial position and business strategy may constitute forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct.

PART II OTHER INFORMATION

THE CATO CORPORATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) None

(B) No Reports on Form 8-K were filed during the quarter ended October 28, 2000.

PART II OTHER INFORMATION (CONTINUED)

THE CATO CORPORATION

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.

THE CATO CORPORATION

December 6, 2000	/s/ Wayland H. Cato, Jr.
Date	Wayland H. Cato, Jr. Chairman of the Board
December 6, 2000	/s/ John P. Derham Cato
Date	John P. Derham Cato Vice Chairman of the Board President and Chief Executive Officer
December 6, 2000	/s/ Michael O. Moore
Date	Michael O. Moore Executive Vice President Chief Financial Officer and Secretary
December 6, 2000	/s/ Robert M. Sandler
Date	Robert M. Sandler Senior Vice President Controller

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND INCOME STATEMENT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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FEB-03-2001
OCT-28-2000
6,940
58,888
49,919
5,321
94,734
210,736
145,881
63,646
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30,405
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1.20