

Form 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Annual Report Pursuant to Section 15(d) of
The Securities Exchange Act of 1934 (Fee Required)

For the fiscal year ended September 30, 1996

or

Transition report Pursuant to Section 15(d) of

The Securities Exchange Act of 1934 (No Fee Required)

Commission File No. 0-3747

- A. Full title of plan and address of the Plan, if different from that of the issuer named below:

THE CATO CORPORATION
EMPLOYEE STOCK PURCHASE PLAN

- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

THE CATO CORPORATION
Human Resources Department
8100 Denmark Road
Charlotte, NC 28273

THE CATO CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
FORM 11-K
September 30, 1996

Table of Contents

	Page No.
Part I - Exhibit Index and Related Exhibits	2
Part II - Financial Information	
Independent Auditors' Report.....	3
Statements of Net Assets.....	4
Statements of Changes in Net Assets	5
Notes to Financial Statements.....	6-7
Other Information	8
Independent Auditors' Consent.....	9

THE CATO CORPORATION
EMPLOYEE STOCK PURCHASE PLAN

INDEX

Form 11-K for the Years Ended
September 30, 1996 and September 30, 1995

Exhibit No.	Description Of Exhibit	Page No.
-----	-----	-----
23.	Consent of Deloitte & Touche LLP, Independent Auditors.....	9

1100 Carillon Telephone: (704)372-3560
227 West Trade Street
Charlotte, North Carolina 28202-1675

INDEPENDENT AUDITORS' REPORT

The Employee Benefit Plan Administrative Committee
The Cato Corporation

We have audited the accompanying statements of net assets of the Cato Corporation Stock Purchase Plan (The "Plan"), as of September 30, 1996 and 1995, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan at September 30, 1996 and 1995, and the changes in net assets for the years then ended in conformity with generally accepted accounting principles.

/s/Deloitte & Touche LLP

December 11, 1996

THE CATO CORPORATION EMPLOYEE STOCK PURCHASE PLAN
STATEMENTS OF NET ASSETS

	September 30,	
	1996	1995
Receivable from Company	\$ 0	\$2,999
Liabilities of the Plan	\$ 0	\$2,999
Net Assets	\$ 0	\$ 0

See accompanying notes to financial statements.

THE CATO CORPORATION EMPLOYEE STOCK PURCHASE PLAN
STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 1996
AND SEPTEMBER 30, 1995

	1996 -----	1995 -----
Increases:		
Employee Contributions	\$306,865	\$425,869
Decreases:		
Purchases of The Cato Corporation Common Stock (51,010 and 68,473 shares for the years ended September 30, 1996 and 1995, respectively)	277,488	379,755
Cash Withdrawals	29,377	46,741
	----- 306,865	----- 426,496
	-----	-----
Net Increase (Decrease)	0	(627)
Net Assets at Beginning of Year	0	627
	-----	-----
Net Assets at End of Year	\$ 0	\$ 0
	=====	=====

See accompanying notes to financial statements.

THE CATO CORPORATION EMPLOYEE STOCK PURCHASE PLAN
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 1996 and 1995

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial statements of The Cato Corporation Employee Stock Purchase Plan ("the Plan") have been prepared on the accrual basis. The Plan's fiscal year ends on September 30.

NOTE 2 - PLAN DESCRIPTION AND SUMMARY OF SIGNIFICANT PLAN PROVISIONS

The Board of Directors of The Cato Corporation adopted the Plan on September 23, 1993 and the Plan was approved by Shareholders of the Company at the Annual Meeting of Shareholders on May 19, 1994. The Plan became effective as of November 1, 1993 and will terminate on September 20, 2003, unless extended by the Board of Directors or terminated sooner by the sale of all Shares offered under the Plan. Of the 250,000 shares of the Cato Corporation Common stock originally reserved under the Plan, 88,989 shares remained available at September 30, 1996 and 139,999 shares remained available at September 30, 1995.

The purpose of the Plan is to provide eligible employees with an opportunity to participate in the accumulation and potential appreciation in value of the Common Stock of The Cato Corporation. Eligible employees are those who are regularly scheduled to work at least 20 hours each week and more than 5 months each calendar year and are actively employed on the first and last day of the purchase period. Under the terms of the Plan, all eligible employees of the Company, through payroll deductions, are allowed to purchase, at six-month intervals specified in the Plan, shares of Common Stock at a 15% discount from the last reported sale price of the Common Stock on the NASDAQ National Market System. In addition to the Common Stock which may be purchased through payroll deductions, Common Stock discounted 15% may also be purchased by each plan participant by a one-time election on April 15 of each year in an amount not to exceed \$10,000. The purchase price at which shares will be sold during each offering period is 85% of the lower of the fair market value at (1) the beginning date of an offering period or (2) ending date of an offering period. The purchase price for the one-time election is 85% of the last sale price on or before the April 15 date as listed on the NASDAQ National Market System.

NOTE 2 - PLAN DESCRIPTION AND SUMMARY OF SIGNIFICANT PLAN PROVISIONS -
CONTINUED

Contributions are limited to 10 percent of compensation for the biannual purchases made through payroll deductions. The aggregate fair market value of Shares of Common Stock that may be purchased by any participant during any calendar year may not exceed \$25,000. Pending investment, funds may be held by The Cato Corporation. In addition to employee contributions, all dividends paid on Common Shares purchased through the plan are automatically reinvested in additional shares.

A participant may withdraw all or any portion of the full shares held in the participant's account under the Plan by notifying The Cato Corporation in writing. A participant may suspend payroll deductions at any time and applicable payroll deductions will be returned to the participant.

The Plan is a stock plan as defined in Section 423 of the Internal Revenue Code of 1986, as amended. Substantial tax benefits are allowed to participants with respect to the treatment of the stock purchased within the plan, provided certain holding period requirements are met.

All costs to administer the Plan are paid by the Company.

SIGNATURES

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

DATE: December 19, 1996

The Cato Corporation

By: /s/ Robert Sandler

Senior Vice President
Controller

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227 West Trade Street
Charlotte, North Carolina 28202-1675

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-69844 on Form S-8 of The Cato Corporation Employee Stock Purchase Plan of our report dated December 11, 1996, appearing in this Annual Report on Form 11-K of The Cato Corporation Employee Stock Purchase Plan for the year ended September 30, 1996.

/s/Deloitte & Touche LLP

December 17, 1996