

**THE CATO CORPORATION
COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
CHARTER**

I. PURPOSE

The primary function of the Compensation Committee (the "Committee") is to assist the Corporation's Board of Directors in discharging its responsibilities related to compensation of the Corporation's directors and executive officers.

II. COMPOSITION

The Committee shall be comprised of three or more directors appointed by the Board, each of whom shall be independent within the meaning of applicable regulations, New York Stock Exchange and Securities and Exchange Commission ("SEC") rules and regulations, and such other criteria as the Board may establish. In addition, each member of the Committee shall be a "Non-Employee Director" under Rule 16b-3 of the Exchange Act and an "outside director" for purposes of Section 162(m) of the Internal Revenue Code.

The Board shall appoint a Chair of the Committee.

III. MEETINGS

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. The Committee may ask members of management or others to attend any meeting and provide information or advice as needed.

IV. ACTIVITIES

To fulfill its responsibilities, the Committee shall:

Chief Executive Officer Compensation

- (1) Review and approve on an annual basis the Corporation's goals and objectives for compensation of the Chief Executive Officer ("CEO") and evaluate the CEO's performance in light of those goals and objectives at least annually. In determining the long-term incentive component of the CEO's compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the CEO in past years.
- (2) Based on this evaluation, determine (and report to the Board) the CEO's compensation, including salary, bonus, incentive and equity compensation (provided that the CEO may not be present during voting or deliberations on his or her compensation).

Other Compensation

- (3) Review and approve on an annual basis the evaluation process and compensation structure of the Corporation's other executive officers and evaluate those other officers' performance at least annually.

- (4) Based on this evaluation, determine (and report to the Board) the other executive officers' compensation, including salary, bonus, incentive and equity compensation.
- (5) Review director fees and other compensation on a periodic basis and effect, or recommend to the Board, any changes that the Committee deems appropriate.

Equity and Incentive Plans

- (6) Periodically review the Corporation's equity-based and other incentive plans, make revisions, and approve new plans, as the Committee deems appropriate, and report such revisions to the Board.
- (7) Exercising the full authority of the Board, administer the Corporation's equity-based and other incentive plans.

Other Responsibilities

- (8) Prepare and publish an executive compensation report in the Corporation's proxy statement for the annual meeting of shareholders.
- (9) Review with appropriate representatives of management: (a) changes of key employees; (b) policies on matters pertaining to compensation; (c) special benefits and perquisites; and (d) any other matters of concern to the Committee relating to overall corporate compensation for the Company.
- (10) Plan for management succession by reviewing the development and progression of potential internal management candidates and develop contingency plans for the departure, death or disability of key employees to facilitate interim transition and long-term leadership.
- (11) Develop and approve appropriate narrative language evaluating and defining the compensation of the CEO, in particular, and key employees, in general, for inclusion in the Company's annual proxy statement.
- (12) Perform any other duties delegated to the Committee by the Board related to the Corporation's compensation plans or programs

V. PROCESSES

After each Committee meeting, the Committee shall report its actions and recommendations to the Board.

The Committee shall conduct and present to the Board an annual review of its performance. In addition, the Committee shall review this Charter periodically and recommend any proposed revisions to the Board for its approval.

The Committee shall have the authority to delegate any of its responsibilities to subcommittees. The Committee shall also have the authority to engage compensation consultants, outside counsel and other advisors, as it deems appropriate, and to set the terms (including fees) of all such engagements. The Corporation shall provide for appropriate funding, as determined by the Committee, for paying fees to outside advisors engaged by the Committee.