SUTRON CORP
Form SC 13G/A
May 30, 2014

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

SCHEDULE 13G/A

Under the Securities Exchange Act of 1934
(Amendment No. 27)*

SUTRON CORP
(Name of Issuer)

Common Stock, par value $0.01 per share
(Title of Class of Securities)

869380105
(CUSIP Number)

February 14, 2011
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ ] Rule 13d-1(b)
[X] Rule 13d-1(c)
[ ] Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. **869380105** 13G/A

1.	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) **Raul S. McQuivey**		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) **[ ]** (b) **[X]**		
3.	SEC USE ONLY		
4.	CITIZENSHIP OR PLACE OF ORGANIZATION **United States**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		5.	SOLE VOTING POWER **110,600**
		6.	SHARED VOTING POWER **682,086**
		7.	SOLE DISPOSITIVE POWER **220,600***
		8.	SHARED DISPOSITIVE POWER **682,086**
9.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **902,686**		
10.	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (see instructions) [_]		
11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) **19.7% ****		
12.	TYPE OF REPORTING PERSON (see instructions) **IN**		

* includes 110,600 shares of Sutron Corp common stock, and 88,000 exercisable options to purchase Sutron Corp common stock out of a total of 110,000 options to purchase Sutron Corp common stock.
** based on 4,575,632 shares issued and outstanding on December 31, 2010.

CUSIP No. **869380105** 13G/A

1.	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) **Karen T. McQuivey**		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) **[ ]** (b) **[X]**		
3.	SEC USE ONLY		
4.	CITIZENSHIP OR PLACE OF ORGANIZATION **United States**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		5.	SOLE VOTING POWER **0**
		6.	SHARED VOTING POWER **682,086**
		7.	SOLE DISPOSITIVE POWER **0**
		8.	SHARED DISPOSITIVE POWER **682,086**
9.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **682,086**		
10.	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (see instructions) [_]		
11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) **14.9%****		
12.	TYPE OF REPORTING PERSON (see instructions) **IN**		

** based on 4,575,632 shares issued and outstanding on December 31, 2010.

CUSIP No. **869380105** 13G/A

1.	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) **Raul S. McQuivey Trust Dated 3/24/1999**		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) **[ ]** (b) **[X]**		
3.	SEC USE ONLY		
4.	CITIZENSHIP OR PLACE OF ORGANIZATION **United States**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		5.	SOLE VOTING POWER **0**
		6.	SHARED VOTING POWER **322,500**
		7.	SOLE DISPOSITIVE POWER **0**
		8.	SHARED DISPOSITIVE POWER **322,500**
9.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **322,500**		
10.	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (see instructions) [_]		
11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) **7.0%****		
12.	TYPE OF REPORTING PERSON (see instructions) **OO**		

** based on 4,575,632 shares issued and outstanding on December 31, 2010.

CUSIP No. **869380105** 13G/A

1.	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) **Karen T. McQuivey Trust Dated 3/24/1999**		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions) (a) **[ ]** (b) **[X]**		
3.	SEC USE ONLY		
4.	CITIZENSHIP OR PLACE OF ORGANIZATION **United States**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		5.	SOLE VOTING POWER **0**
		6.	SHARED VOTING POWER **359,586**
		7.	SOLE DISPOSITIVE POWER **0**
		8.	SHARED DISPOSITIVE POWER **359,586**
9.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **359,586**		
10.	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (see instructions) [_]		
11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) **7.9%****		
12.	TYPE OF REPORTING PERSON (see instructions) **OO**		

** based on 4,575,632 shares issued and outstanding on December 31, 2010.

CUSIP No. **869380105** 13G/A

Item 1.

(a) Name of Issuer
Sutron Corp (the Issuer)

(b) Address of Issuer s Principal Executive Offices
22400 Davis Drive, Sterling, Virginia 20164

Item 2.

(a) Name of Person Filing
Raul S. McQuivey

(b) Address of the Principal Office or, if none, residence
22400 Davis Drive, Sterling, Virginia 20164

(c) Citizenship
United States

(d) Title of Class of Securities
Common Stock

(e) CUSIP Number
869380105

Item 3. If this statement is filed pursuant to §§240.13d -1(b) or 240.13d -2(b) or (c), check whether the person filing is a: Not Applicable

(a) [_] Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) [_] Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) [_] Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) [_] Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) [_] An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);

(f) [_] An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);

(g) [_] A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);

(h) [_] A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(i) [_] A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(j) [_] Group, in accordance with §240.13d-1(b)(1)(ii)(J).

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned: **902,686**

(b) Percent of class: **19.7%****

(c) Number of shares as to which the person has: **902,686**

(i) Sole power to vote or to direct the vote **110,600**.

(ii) Shared power to vote or to direct the vote **682,086**.

(iii) Sole power to dispose or to direct the disposition **220,600**

(iv) Shared power to dispose or to direct the disposition of **682,086**.

** based on 4,575,632 shares issued and outstanding on December 31, 2010.

Instruction. For computations regarding securities which represent a right to acquire an underlying security *see* §240.13d -3(d)(1).

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [_].

Instruction. Dissolution of a group requires a response to this item.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Raul S. McQuivey and Karen T. McQuivey as sole trustees of both the Raul S. McQuivey Trust dated 3/24/1999 and the Karen T. McQuivey Trust dated 3/24/1999.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

Not Applicable

Item 8. Identification and Classification of Members of the Group.

Not Applicable

Item 9. Notice of Dissolution of Group.

Not Applicable

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

CUSIP No. **869380105** 13G/A

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

May 29, 2014
Date

/s/ Raul S. McQuivey
Signature

Raul S. McQuivey, Chairman, President and CEO of Sutron Corporation
Name/Title

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Revenues	$231,401	$2,467	$233,868	Revenues	$457,710	$4,986	$462,696
Depreciation	5,646	11	5,657	Depreciation	11,246	21	11,267
Interest and other income	(1,709)		(1,709)	Interest and other income	(3,609)		(3,609)
Income before taxes	17,309	1,011	18,320	Income before taxes	43,628	1,874	45,502
Total assets	361,874	71,557	433,431	Total assets	361,874	71,557	433,431
Capital expenditures	4,893		4,893	Capital expenditures	10,540		10,540

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THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED AUGUST 1, 2009 AND AUGUST 2, 2008

NOTE 5 REPORTABLE SEGMENT INFORMATION (CONTINUED):

The Company evaluates performance based on income before taxes. The Company does not allocate certain corporate expenses or income taxes to the credit segment.

The following schedule summarizes the direct expenses of the credit segment which are reflected in selling, general and administrative expenses (in thousands):

	Three Months Ended		**Six Months Ended**	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 1, 2008
Bad debt expense	**$ 828**	$ 696	**$1,752**	$ 1,462
Payroll	**247**	254	**496**	507
Postage	**224**	240	**469**	513
Other expenses	**241**	255	**615**	609
Total expenses	**$1,540**	$ 1,445	**$3,332**	$ 3,091

NOTE 6 STOCK BASED COMPENSATION:

As of August 1, 2009, the Company had three long-term compensation plans pursuant to which stock-based compensation was outstanding or could be granted. The Company s 1987 Non-Qualified Stock Option Plan authorized 5,850,000 shares for the granting of options to officers and key employees. The 1999 Incentive Compensation Plan and 2004 Amended and Restated Incentive Compensation Plan authorized 1,500,000 and 1,350,000 shares, respectively, for the granting of various forms of equity-based awards, including restricted stock and stock options to officers and key employees. The 1999 Plan has expired as to the ability to grant new awards.

The following table presents the number of options and shares of restricted stock initially authorized and available for grant under each of the plans:

	1987 Plan	1999 Plan	2004 Plan	Total
Options and/or restricted stock initially authorized	5,850,000	1,500,000	1,350,000	8,700,000
Options and/or restricted stock available for grant:				
January 31, 2009	18,627		868,078	886,705
August 1, 2009	18,627		737,362	755,989

Stock option awards outstanding under the Company s current plans were granted at exercise prices which were equal to the market value of the Company s stock on the date of grant, vest over five years and expire no later than ten years after the grant date.

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THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED AUGUST 1, 2009 AND AUGUST 2, 2008

NOTE 6 STOCK BASED COMPENSATION (CONTINUED):

The following is a summary of the changes in stock options outstanding during the six months ended August 1, 2009:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (a)
Options outstanding at January 31, 2009	107,950	$ 12.72	4.07 years	$ 124,257
Granted				
Forfeited or expired				
Exercised	23,225			
Outstanding at August 1, 2009	84,725	$ 13.33	4.06 years	$ 347,642
Vested and exercisable at August 1, 2009	75,275	$ 13.07	3.83 years	$ 328,093

(a) The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

No options were granted in fiscal 2008 or in the first half of fiscal 2009.

As of August 1, 2009, there was approximately $21,200 of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 0.2 years. The total intrinsic value of options exercised during the second quarter and six months ended August 1, 2009 was approximately $125,014 and $192,023, respectively.

The Company recognized share-based compensation expense for nonvested options of $15,000 and $55,000 for the second quarter and six month period ended August 1, 2009, respectively, compared to $23,000 and $46,000 for the second quarter and six month period ending August 2, 2008, respectively. These expenses are classified as a component of selling, general and administrative expenses.

SFAS No. 123R requires the benefits of tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. For the six months ended August 1, 2009 and August 2, 2008, the Company reported $72,000 and $41,000 of excess tax benefits as a financing cash inflow, respectively. In addition, $244,000 and $200,000 in cash proceeds were received from the exercise of stock options and Employee Stock Purchase Plan purchases, respectively.

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THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED AUGUST 1, 2009 AND AUGUST 2, 2008

NOTE 6 STOCK BASED COMPENSATION (CONTINUED):

The Company s Employee Stock Purchase Plan allows eligible full-time employees to purchase a limited number of shares of the Company s Class A Common Stock during each semi-annual offering period at a 15% discount through payroll deductions. During the six months ended August 1, 2009 and August 2, 2008, the Company sold 13,686 and 18,158 shares to employees at an average discount of $2.57 and $2.15 per share, respectively, under the Employee Stock Purchase Plan. The compensation expense recognized for the 15% discount given under the Employee Stock Purchase Plan was approximately $35,000 and $39,000 for the six months ended August 1, 2009 and August 2, 2008, respectively.

In accordance with SFAS No. 123R, the fair value of current restricted stock awards is estimated on the date of grant based on the market price of the Company s stock and is amortized to compensation expense on a straight-line basis over the related vesting periods. As of August 1, 2009 and August 2, 2008, there was $5,104,649 and $6,342,000 of total unrecognized compensation cost related to nonvested restricted stock awards, which have a remaining weighted-average vesting period of 3.2 years and 3.45 years, respectively. The total fair value of the shares recognized as compensation expense during the second quarter and six months ended August 1, 2009 was $757,000 and $1,087,000 compared to $514,000 and $950,000 for the second quarter and six months ended August 2, 2008.

The following summary shows the changes in the shares of restricted stock outstanding during the six months ended August 1, 2009:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock awards at January 31, 2009	439,921	$ 20.46
Granted	157,525	18.90
Vested	(58,283)	22.52
Forfeited	(39,437)	20.38
Restricted stock awards at August 1, 2009	499,726	19.73

NOTE 7 INCOME TAXES:

The Company s effective tax rate for the second quarter 2009 was 29.7% compared to 37.3% for the first quarter of 2009. The decrease in the quarterly effective tax rate was primarily attributable to the settlement of various state tax audits. During the second quarter 2009, unrecognized tax benefits decreased $1.7 million from $10.1 million at May 2, 2009 to $8.4 million at August 1, 2009. During the next 12 months, various taxing authorities statues of limitations are expected to expire which could result in a potential further reduction of unrecognized tax benefits. As a consequence, the balance in unrecognized tax benefits can be expected to fluctuate from period to period. It is reasonably possible such changes could be significant when compared to our total unrecognized tax benefits, but the amount of change is not estimable.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED AUGUST 1, 2009 AND AUGUST 2, 2008

NOTE 8 FAIR VALUE MEASUREMENTS:

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements.* SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. Applicable provisions of SFAS 157 were adopted by the Company effective February 3, 2008. In February 2008, the FASB issued FASB Staff Position 157-2, *Effective date of FASB Statement No. 157*, which delayed for one year the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company s adoption of FASB Staff Position 157-2 was immaterial.

The following table sets forth information regarding the Company s financial assets that are measured at fair value (in thousands) as of August 1, 2009:

	Fair Value Measurements at Reporting Date Using			
Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets:				
Short term investments	$ 145,427	$ 145,427	$	$
Other Assets	5,817	393	1,974	3,450

The following table sets forth information regarding the Company s financial assets that are measured at fair value (in thousands) as of January 31, 2009:

	Fair Value Measurements at Reporting Date Using			
Description	Total	(Level 1)	(Level 2)	(Level 3)
Assets:				
Short term investments	$ 93,452	$ 90,002	$ 3,450	$
Other Assets	2,258	303	1,955	

The Company s investment portfolio was primarily invested in tax exempt variable rate demand notes and governmental debt securities held in managed funds. These securities with the exception of a single ARS are classified as available-for-sale as they are highly liquid and are recorded on the balance sheet at estimated fair value, with unrealized gains and temporary losses reported net of taxes as accumulated other comprehensive income. Additionally, as of August 1, 2009, the Company had $2.0 million invested in privately managed investment funds and $0.4 million of other miscellaneous equities which are reported within other noncurrent assets in the Consolidated Balance Sheets.

As of August 1, 2009, the Company held $102.5 million in variable rate demand notes (VRDN) and an auction rate security (ARS) issued by tax exempt municipal authorities and agencies and rated A or better. The underlying securities have contractual maturities which generally range from six to thirty-five years. The VRDN and ARS are recorded at estimated fair value and classified as available-for-sale. Of the $102.5 million in VRDN and ARS, a single ARS of $3.5 million failed its last auction as of July 23, 2009. Due to the continuing failure of the ARS at auction and because the issuer has yet to call the security, the Company has classified the failed ARS as a long-term investment in Other Assets.

THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED AUGUST 1, 2009 AND AUGUST 2, 2008

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED):

The Company s auction rate security was measured at fair value using Level 3 inputs under SFAS 157. Because there is no active market for the Company s auction rate security, its fair value was determined through the use of a discounted cash flow analysis using Level 3 inputs. The terms used in the analysis were based on management s estimate of the timing of future liquidity, which assumes that the security will be called or refinanced by the issuer or settled with a broker dealer prior to maturity. The discount rates used in the discounted cash flow analysis were based on market rates for similar liquid tax-exempt securities with comparable ratings and maturities. Due to the uncertainty surrounding the timing of future liquidity, the Company also considered a liquidity/risk value reduction. In estimating the fair value of this investment, the Company also considered the financial condition and near-term prospects of the issuer, the low probability that the Company will be unable to collect all amounts due according to the contractual terms of the security and whether the security has been downgraded by a rating agency. The Company s valuation is sensitive to market conditions and management s judgment and can change significantly based on the assumptions used.

The following table summarizes the change in the fair value of the Company s auction rate securities measured using Level 3 inputs during the first six months of fiscal 2009:

(in thousands)	Fair Value
Balance at January 31, 2009	$
Transfer into Level 3	3,450
Balance at August 1, 2009	$ 3,450

NOTE 9 RECENT ACCOUNTING PRONOUNCEMENTS:

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. EITF 03-6-1 requires that unvested share-based payments that contain nonforfeitable rights to dividends are participating securities and shall be included in the computation of EPS pursuant to the two class method. EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The impact to basic earnings per share for the prior year quarter and prior year to date due to the adoption of this FSP was $0.01. The impact to diluted earnings per share was $0.01 for the prior year to date. There was no impact to earnings per share for the prior year quarter.

In April 2009, the FASB issued FASB Staff Position No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 provides guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. FSP 157-4 is

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THE CATO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED AUGUST 1, 2009 AND AUGUST 2, 2008

NOTE 9 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED):

effective for interim and annual periods ending after June 15, 2009. The impact of the Company s adoption of FSP 157-4 was immaterial.

In April 2009, the FASB issued FASB Staff Position No. 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP 115-2). FSP 115-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. FSP 115-2 is effective for interim and annual periods ending after June 15, 2009. The impact of the Company s adoption of FSP 115-2 was immaterial.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (SFAS No. 165), which establishes general standards for disclosure of and accounting for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009. The Company s adoption of SFAS No. 165 on August 2, 2009 did not have a material effect on the Company s financial position or results of operations. The Company evaluated all events or transactions that occurred after August 1, 2009 up through September 9, 2009, the date we issued these Condensed Consolidated Financial Statements. We did not have any material recognizable or nonrecognizable subsequent events during this period.

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THE CATO CORPORATION

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING INFORMATION:

The following information should be read along with the Unaudited Condensed Consolidated Financial Statements, including the accompanying Notes appearing in this report. Any of the following are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended: (1) statements in this Form 10-Q that reflect projections or expectations of our future financial or economic performance; (2) statements that are not historical information; (3) statements of our beliefs, intentions, plans and objectives for future operations, including those contained in Management s Discussion and Analysis of Financial Condition and Results of Operations ; (4) statements relating to our operations or activities for fiscal 2009 and beyond, including, but not limited to, statements regarding expected amounts of capital expenditures and store openings, relocations, remodelings and closures; and (5) statements relating to our future contingencies. When possible, we have attempted to identify forward-looking statements by using words such as expects, anticipates, approximates, believes, estimates, hopes, intends, may, plans, should a words and similar expressions. We can give no assurance that actual results or events will not differ materially from those expressed or implied in any such forward-looking statements. Forward-looking statements included in this report are based on information available to us as of the filing date of this report, but subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by the forward-looking statements. Such factors include, but are not limited to, the following: general economic conditions including, but not limited to, the continuation or worsening of (i) the current adverse or recessionary conditions affecting the U.S. and global economies and consumer spending and (ii) the adverse conditions in the U.S. and global credit markets; uncertainties regarding the impact of any governmental responses to the foregoing adverse economic and credit market conditions; competitive factors and pricing pressures; our ability to predict fashion trends; consumer apparel buying patterns; adverse weather conditions; inventory risks due to shifts in market demand; and other factors discussed under Risk Factors in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended January 31, 2009 (fiscal 2008), as amended or supplemented, and in other reports we file with or furnish to the SEC from time to time. We do not undertake, and expressly decline, any obligation to update any such forward-looking information contained in this report, whether as a result of new information, future events, or otherwise.

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THE CATO CORPORATION
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

CRITICAL ACCOUNTING POLICIES:

The Company s accounting policies are more fully described in Note 1 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K. As disclosed in Note 1 of Notes to Consolidated Financial Statements, the preparation of the Company s financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of the Company s financial statements include the allowance for doubtful accounts receivable, reserves relating to workers compensation, general and auto insurance liabilities, reserves for group health insurance, reserves for inventory markdowns, calculation of asset impairment, inventory shrinkage accrual and reserves for uncertain tax positions.

The Company s critical accounting policies and estimates are discussed with the Audit Committee.

RESULTS OF OPERATIONS:

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

	Three Months Ended		**Six Months Ended**	
	August 1, 2009	August 2, 2008	**August 1, 2009**	August 2, 2008
Total retail sales	**100.0%**	100.0%	**100.0%**	100.0%
Other income	**1.3**	1.3	**1.3**	1.3
Total revenues	**101.3**	101.3	**101.3**	101.3
Cost of goods sold	**63.7**	64.1	**61.6**	63.4
Selling, general and administrative	**25.1**	27.5	**26.1**	26.2
Depreciation	**2.4**	2.5	**2.4**	2.5
Interest and other income	**(0.4)**	(0.7)	**(0.4)**	(0.8)
Income before income taxes	**10.5**	7.9	**11.6**	10.0
Net income	**7.4**	5.2	**7.7**	6.3

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THE CATO CORPORATION
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED):

Comparison of Second Quarter and First Six Months of 2009 with 2008.

Total retail sales for the second quarter were $225.4 million compared to last year s second quarter sales of $231.0 million, a 2% decrease. Same-store sales decreased 3% in the second quarter of fiscal 2009. For the six months ended August 1, 2009, total retail sales were $463.4 million compared to last year s first six months sales of $456.7 million, and same-store sales remained flat for the comparable six month period. Total revenues, comprised of retail sales and other income (principally, finance charges and late fees on customer accounts receivable and layaway fees), were $228.3 million and $469.3 million for the second quarter and six months ended August 1, 2009, respectively, compared to $233.9 million and $462.7 million for the second quarter and six months ended August 2, 2008, respectively. The Company operated 1,285 stores at August 1, 2009 compared to 1,287 stores at the end of last year s second quarter. For the first six months of 2009 the Company opened 12 stores and closed 8 stores. The Company expects to open approximately 46 stores, relocate 2 stores and close approximately 42 stores in fiscal 2009.

Credit revenue of $2.3 million represented 1.0% of total revenues in the second quarter of 2009, compared to 2008 credit revenue of $2.5 million or 1.1% of total revenues. The slight reduction in credit revenue was due to lower finance charge and late fee income from lower sales under the Company s proprietary credit card, partially offset by improved collections compared to the prior year. Credit revenue is comprised of interest earned on the Company s private label credit card portfolio and related fee income. Related expenses include principally bad debt expense, payroll, postage and other administrative expenses and totaled $1.5 million in the second quarter of 2009, $0.1 million higher compared to last year s second quarter expenses of $1.4 million. Bad debt expense was higher compared to the second quarter and first six months of 2008, partially offset by lower administrative expenses.

Other income in total, as included in total revenues was $2.9 million and $5.9 million for the second quarter and first six months of fiscal 2009, flat compared to the prior year s comparable three and six month periods.

Cost of goods sold was $143.5 million, or 63.7% of retail sales and $285.4 million or 61.6% of retail sales for the second quarter and first six months of fiscal 2009, compared to $148.0 million, or 64.1% of retail sales and $289.6 million, or 63.4% of retail sales for the prior year s comparable three and six month period, respectively. The overall decrease in cost of goods sold as a percent of retail sales for the second quarter and first six months of 2009 resulted primarily from lower markdowns and freight charges. The decrease in markdowns was primarily attributable to tight inventory management and higher sell-throughs of regular priced merchandise. Cost of goods sold includes merchandise costs, net of discounts and allowances, buying costs, distribution costs, occupancy costs, freight and inventory shrinkage. Net merchandise costs and in-bound freight are capitalized as inventory costs.

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THE CATO CORPORATION
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED):

Buying and distribution costs include payroll, payroll-related costs and operating expenses for the buying departments and distribution center. Occupancy expenses include rent, real estate taxes, insurance, common area maintenance, utilities and maintenance for stores and distribution facilities. Total gross margin dollars (retail sales less cost of goods sold) decreased by 1.2% to $81.9 million for the second quarter of fiscal 2009 and increased by 6.6% to $178.1 million for the first six months of fiscal 2009, compared to $82.9 million and $167.1 million for the prior year s comparable three and six month periods, respectively. Gross margin as presented may not be comparable to those of other entities.

Selling, general and administrative expenses (SG&A) primarily include corporate and store payroll, related payroll taxes and benefits, insurance, supplies, advertising, bank and credit card processing fees and bad debts. SG&A expenses were $56.5 million, or 25.1% of retail sales and $121.1 million, or 26.1% of retail sales for the second quarter and first six months of fiscal 2009, compared to $63.6 million, or 27.5% of retail sales and $119.9 million, or 26.2% of retail sales for the prior year s comparable three and six month period, respectively. SG&A expenses as a percentage of retail sales decreased 240 basis points for the second quarter of fiscal 2009 as compared to the prior year and decreased 10 basis points for the first six months of fiscal 2009 as compared to the prior year. The decrease in SG&A expenses as a percentage of retail sales and the overall dollar decrease for the second quarter of fiscal 2009 was primarily attributable to a decrease in worker s compensation and group health insurance expenses and the closure of underperforming stores from the second quarter of fiscal 2008. The overall dollar increase in SG&A expenses for the first six months of fiscal 2009 resulted primarily from increased incentive based compensation expenses, payroll and legal reserve expenses offset by a reduction in worker s compensation and group health care expenses and the closure of underperforming stores from the second quarter of fiscal 2008.

Depreciation expense was $5.5 million, or 2.4% of retail sales and $11.0 million or 2.4% of retail sales, for the second quarter and first six months of fiscal 2009, compared to $5.7 million, or 2.5% of retail sales and $11.3 million, or 2.5% of retail sales, for prior year s comparable three and six month periods, respectively.

Interest and other income was $0.9 million, or 0.4% of retail sales and $1.9 million, or 0.4% of retail sales for the second quarter and first six months of fiscal 2009, compared to $1.7 million, or 0.7% of retail sales and $3.6 million, or 0.8% of retail sales, for the prior year s comparable three and six month periods, respectively. The decrease in fiscal 2009 resulted primarily from lower interest rates.

Income tax expense was $7.0 million, or 3.1% of retail sales and $18.2 million, or 3.9% of retail sales, for the second quarter and first six months of fiscal 2009, compared to $6.2 million, or 2.7% of retail sales and $16.6 million, or 3.6% of retail sales, for the prior year s comparable three and six month periods. The slight overall dollar increase for the second quarter resulted from higher pre- tax income offset by a lower tax rate due to the settlements of various state tax audits. The effective income tax rate for the second quarter of fiscal 2009 was 29.7% compared to 34.0% for the second

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THE CATO CORPORATION
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED):

quarter of 2008. The increase in dollars for the six month period resulted from higher pre-tax income offset by a lower effective tax rate due to the settlements of various state tax audits. The effective income tax rate for the first six months of fiscal 2009 was 33.9% compared to 36.4% for the six months of fiscal 2008.

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK:

The Company has consistently maintained a strong liquidity position. Cash provided by operating activities during the first six months of fiscal 2009 was $54.0 million as compared to $59.1 million in the first six months of fiscal 2008. These amounts enable the Company to fund its regular operating needs, capital expenditure program, cash dividend payments and share repurchases. In addition, the Company maintains a $35.0 million unsecured revolving credit facility for short-term financing of seasonal cash needs. There were no outstanding borrowings on this facility at August 1, 2009 and borrowing capacity under the facility was $33.3 million, net of related standby letter of credit obligations.

Cash provided by operating activities for the first six months of fiscal 2009 was primarily generated by earnings adjusted for depreciation and changes in working capital. The decrease of $5.1 million for the first six months of fiscal 2009 as compared to the first six months of fiscal 2008 was primarily due to a decrease in inventories, accrued income taxes and losses on disposal of property and equipment due to store closures, partially offset by an increase in net income in fiscal 2009.

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 dividends, share repurchases and other operating requirements and expected capital expenditures for fiscal 2009 and for the foreseeable future.

At August 1, 2009, the Company had working capital of $192.1 million compared to $165.8 million at August 2, 2008. Additionally, the Company had $2.4 million and $2.2 million invested in privately managed investment funds at August 1, 2009 and August 2, 2008, respectively, which are included in other assets on the Condensed Consolidated Balance Sheets.

At August 1, 2009, the Company had an unsecured revolving credit agreement, which provided for borrowings of up to $33.3 million. The revolving credit agreement is committed until August 2010. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance as of August 1, 2009. There were no borrowings outstanding under this credit facility during the first six months ended August 1, 2009 or the fiscal year ended January 31, 2009.

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THE CATO CORPORATION
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY, CAPITAL RESOURCES AND MARKET RISK (CONTINUED):

At August 1, 2009 and August 2, 2008, the Company had approximately $8.3 million and $4.8 million, respectively, of outstanding irrevocable letters of credit relating to purchase commitments. In addition, the Company has a standby letter of credit in the amount of approximately $1.7 million at August 1, 2009 for payments to the current general liability and workers compensation insurance processor.

Expenditures for property and equipment totaled $6.2 million in the first six months of fiscal 2009, compared to $10.5 million in last year s first six months. The expenditures for the first six months of 2009 were primarily for the development of 12 new stores and additional investments in new technology. For the full fiscal 2009 year, the Company is planning to invest approximately $16.1 million for capital expenditures. This includes expenditures to open 46 new stores and relocate 2 stores.

Net cash used in investing activities totaled $58.1 million in the first six months of fiscal 2009 compared to $26.0 million used in the comparable period of 2008. The increase was due primarily to the decrease in sales of short-term investments.

On August 27, 2009, the Board of Directors maintained the quarterly dividend at $.165 per share, or an annualized rate of $.66 per share.

The Company s Board of Director s authorized an increase in the Company s share repurchase program of 2,000,000 and 500,000 on August 30, 2007 and February 26, 2009, respectively. There is no specified expiration on any of these repurchase authorizations. For the six months ended August 1, 2009, the Company has repurchased 2,569 shares at a cost of $49,000. At August 1, 2009, 693,373 shares remain available for repurchase in open authorizations.

The Company does not use derivative financial instruments.

At August 1, 2009, the Company s investment portfolio was primarily invested in tax exempt variable rate demand notes and governmental securities held in managed funds. These securities with the exception of the single ARS are classified as available-for-sale as they are highly liquid and are recorded on the balance sheet at fair value, with unrealized gains and temporary losses reported net of taxes as accumulated other comprehensive income. Other than temporary declines in fair value of investments are recorded as a reduction in the cost of investments in the accompanying Condensed Consolidated Balance Sheets.

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THE CATO CORPORATION
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

The Company is subject to market rate risk from exposure to changes in interest rates based on its financing, investing and cash management activities, but the Company does not believe such exposure is material.

ITEM 4. CONTROLS AND PROCEDURES:

We carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as of August 1, 2009. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of August 1, 2009, our disclosure controls and procedures, as defined in Rule 13a-15(e), under the Securities Exchange Act of 1934 (the Exchange Act), were effective to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

No change in the Company s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) has occurred during the Company s fiscal quarter ended August 1, 2009 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II OTHER INFORMATION
THE CATO CORPORATION
ITEM 1. LEGAL PROCEEDINGS

Not Applicable

ITEM 1A. RISK FACTORS

In addition to the other information in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended January 31, 2009. These risks could materially affect our business, financial condition or future results; however, they are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes the Company s purchases of its common stock for the three months ended August 1, 2009:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number Of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that may Yet be Purchased Under The Plans or Programs (2)
May 2009	2,569	$ 19.00	48,811	
June 2009				
July 2009				
Total	2,569	$ 19.00	48,811	693,373 shares

(1) Prices include trading costs.

(2) The Company s Board of Directors authorized an increase in the share repurchase program of 2,000,000 shares and 500,000 shares on August 30,

2007 and February 26, 2009, respectively. At the second quarter ending August 1, 2009, the Company had 693,373 million shares remaining in open authorizations. There is no specified expiration date for the Company s repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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PART II OTHER INFORMATION (CONTINUED)
THE CATO CORPORATION
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Following are the results of the matters voted upon and approved at the Company s Annual Meeting which was held on May 20, 2009.

Election of Directors:

			Voting Power	
	For	Withheld	For	Withheld
Mr. John P. D. Cato	26,673,892	771,877	42,365,617	771,877
Mr. Bailey W. Patrick	26,992,993	452,776	42,684,718	452,776
Mr. Thomas E. Meckley	26,994,190	451,579	42,685,915	451,579

Ratification of Independent Auditor:

			Voting Power		
For	Against	Abstain	For	Against	Abstain
27,185,835	235,759	24,175	42,877,560	235,759	24,175

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

Exhibit No.	Item
3.1	Registrant s Restated Certificate of Incorporation dated March 6, 1987, incorporated by reference to Exhibit 4.1 to Form S-8 of the Registrant filed February 7, 2000 (SEC File No. 333 96283).
3.2	Registrant s By Laws incorporated by reference to Exhibit 99.2 to Form 8-K of the Registrant filed December 10, 2007.
4.1	Rights Agreement dated December 18, 2003, incorporated by reference to Exhibit 4.1 to Form 8-A12G of the Registrant filed December 22, 2003 and as amended in Form 8-A12B/A filed January 6, 2004.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.

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PART II OTHER INFORMATION
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
September 9, 2009	/s/ John P. D. Cato
Date	John P. D. Cato Chairman, President and Chief Executive Officer
September 9, 2009	/s/ John R. Howe
Date	John R. Howe Executive Vice President Chief Financial Officer