

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☒ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☐ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>ZALE CORPORATION SAVINGS AND INVESTMENT PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>002</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/1992</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>002</u>	1c Effective date of plan <u>01/01/1992</u>	
1b Three-digit plan number (PN) ▶	<u>002</u>				
1c Effective date of plan <u>01/01/1992</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>ZALE CORPORATION</u> <u>901 W. WALNUT HILL LANE</u> <u>IRVING, TX 75038</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>75-0675400</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>972-580-4000</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>448310</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>75-0675400</u>	2c Sponsor's telephone number <u>972-580-4000</u>	2d Business code (see instructions) <u>448310</u>	
2b Employer Identification Number (EIN) <u>75-0675400</u>					
2c Sponsor's telephone number <u>972-580-4000</u>					
2d Business code (see instructions) <u>448310</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	09/19/2011	JAMES SULLIVAN
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") ZALE CORPORATION 901 W. WALNUT HILL LANE IRVING, TX 75038	3b Administrator's EIN 75-0675400 3c Administrator's telephone number 972-580-4000
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	9285
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	8106
b Retired or separated participants receiving benefits.....	6b	127
c Other retired or separated participants entitled to future benefits.....	6c	1718
d Subtotal. Add lines 6a , 6b , and 6c	6d	9951
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	35
f Total. Add lines 6d and 6e	6f	9986
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	7839
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	106

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2E 2F 2G 2J 2K 2R 3H 3J

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
(2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3) ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
(2) ☐ **I** (Financial Information – Small Plan)
(3) ☐ **A** (Insurance Information)
(4) ☒ **C** (Service Provider Information)
(5) ☒ **D** (DFE/Participating Plan Information)
(6) ☐ **G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan ZALE CORPORATION SAVINGS AND INVESTMENT PLAN	B Three-digit plan number (PN) ▶	002
C Plan sponsor's name as shown on line 2a of Form 5500 ZALE CORPORATION	D Employer Identification Number (EIN) 75-0675400	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
FIDELITY INV INST OPS CO
04-2647786

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
64 37 65 71 60 25 15 50	RECORDKEEPER	36632	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III **Termination Information on Accountants and Enrolled Actuaries (see instructions)**
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration		DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.		OMB No. 1210-0110 2010 This Form is Open to Public Inspection.	
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010					
A Name of plan ZALE CORPORATION SAVINGS AND INVESTMENT PLAN				B Three-digit plan number (PN) ▶ 002	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 ZALE CORPORATION				D Employer Identification Number (EIN) 75-0675400	
Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)					
a Name of MTIA, CCT, PSA, or 103-12 IE: FID MGD INC PORT					
b Name of sponsor of entity listed in (a): FIDELITY MANAGEMENT TRUST COMPANY					
c EIN-PN 04-3022712-024		d Entity code C		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 5857396	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
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b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
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a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (	

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan ZALE CORPORATION SAVINGS AND INVESTMENT PLAN	B Three-digit plan number (PN) ►	002
C Plan sponsor's name as shown on line 2a of Form 5500 ZALE CORPORATION	D Employer Identification Number (EIN) 75-0675400	

Part I	Asset and Liability Statement
---------------	--------------------------------------

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	229	0
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	156388	196236
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)	45754	377873
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	3312551	2683298
(9) Value of interest in common/collective trusts	1c(9)	6757766	5857396
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	76948952	76530488
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	1283026	0
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	88504666	85645291

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j	69763	27421
k Total liabilities (add all amounts in lines 1g through 1j)	1k	69763	27421

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	88434903	85617870
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(B) Participants	2a(1)(B)	6454991	
(C) Others (including rollovers)	2a(1)(C)	69963	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		6524954

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	492	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	171557	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		172049

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	2522	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	1975933	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		1978455

(3) Rents	2b(3)		
-----------------	--------------	--	--

(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	1348045	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	1704918	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		-356873

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	43016	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		43016
(6) Net investment gain (loss) from common/collective trusts	2b(6)		259395
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		7345424
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		15966420

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	17340824	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		17340824
f Corrective distributions (see instructions)	2f		27421
g Certain deemed distributions of participant loans (see instructions).....	2g		71400
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	36632	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		36632
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		17476277

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-1509857
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		1307176

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: ERNST & YOUNG LLP

(2) EIN: 34-6565596

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		20000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....	X		
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	X		

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
ZALE CORP PR EES SAVINGS & INVEST	75-0675400	003

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>ZALE CORPORATION SAVINGS AND INVESTMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>ZALE CORPORATION</u>	D Employer Identification Number (EIN) <u>75-0675400</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>04-6568107</u>	
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.	
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____			
If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%
- b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE

Zale Corporation Savings and Investment Plan
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Zale Corporation Savings and Investment Plan
Financial Statements and Supplemental Schedule
Years Ended December 31, 2010 and 2009

Table of Contents

Report of Independent Auditors.....	1
Financial Statements	
Statements of Net Assets Available for Benefits.....	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements.....	4
Supplemental Schedule*	
Schedule H; Line 4i – Schedule of Assets (Held at End of Year)	18

* All other schedules required by 29 CFR Section 2520.103-10 of the Department of Labor’s Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

Report of Independent Auditors

Zale Corporation Savings and Investment Plan Committee
Zale Corporation Savings and Investment Plan:

We were engaged to audit the accompanying statement of net assets available for benefits of Zale Corporation Savings and Investment Plan as of December 31, 2010, and the related statement of changes in net assets available for benefits for the year then ended and the supplemental schedule of assets (held at end of year) as of December 31, 2010. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Notes 4 as of and for the year ended December 31, 2010, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee held the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 2010, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule as of and for the year ended December 31, 2010, taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

We have audited the statement of net assets available for benefits as of December 31, 2009, and the related statement of changes in net assets available for benefits for the year then ended and in our report dated June 28, 2010, we expressed an opinion that this financial statement presents fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2009, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, TX
July 28, 2011

Zale Corporation Savings and Investment Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2010	2009
Assets:		
Investments, at fair value:		
Mutual funds	\$ 76,501,906	\$ 76,939,218
Zale Corporation common stock	–	1,283,026
Participant brokerage accounts	602,691	212,105
Collective trust	5,857,396	6,757,766
Total investments	82,961,993	85,192,115
Notes receivable from participants	2,683,298	3,312,551
Total assets	85,645,291	88,504,666
Liabilities:		
Excess contributions payable	27,421	69,763
Net assets reflecting investments at fair value	85,617,870	88,434,903
Adjustment from fair value to contract value for fully benefit-responsive investment contracts held in a collective trust	(47,626)	125,662
Net assets available for benefits	\$ 85,570,244	\$ 88,560,565

See accompanying notes to financial statements.

Zale Corporation Savings and Investment Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31,	
	2010	2009
Increase in net assets:		
Investment income:		
Net appreciation in the fair value of mutual funds	\$ 7,392,007	\$ 15,230,907
Net (depreciation) appreciation in the fair value of Zale Corporation common stock	(356,974)	176,529
Total net appreciation	7,035,033	15,407,436
Interest and dividends	2,233,145	2,512,457
Total investment income	9,268,178	17,919,893
Contributions:		
Employer	—	426,316
Participants	6,427,570	6,863,324
Rollovers	69,963	26,655
Total contributions	6,497,533	7,316,295
Total increase in net assets	15,765,711	25,236,188
Decrease in net assets:		
Payments to participants and beneficiaries	17,412,224	12,211,932
Administrative expenses	36,632	40,956
Total decrease in net assets	17,448,856	12,252,888
Transfers:		
Transfer out to Zale Corporation Puerto Rico Employees Savings & Investment Plan	1,307,176	—
Net (decrease) increase in net assets available for plan benefits	(2,990,321)	12,983,300
Net assets available for benefits, beginning of year	88,560,565	75,577,265
Net assets available for benefits, end of year	<u>\$ 85,570,244</u>	<u>\$ 88,560,565</u>

See accompanying notes to financial statements.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements

December 31, 2010

1. Description of Plan

The following description of the Zale Corporation Savings and Investments Plan (the “Plan”) provides general information about the Plan’s provisions. Zale Corporation (the “Company” or “Employer”) is the Plan sponsor. Participants should refer to the plan document and summary plan description for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering substantially all employees of the Company who have completed one year of service (at least 1,000 hours) and are aged 21 or older. Eligible participants are automatically enrolled in the Plan unless they decline to participate. Employees who work outside of the United States, leased employees, independent contractors and self-employed persons, employees covered under a collective bargaining agreement that does not provide for participation in the Plan, and certain nonresident aliens are excluded from participation in the Plan. Eligible employees do not include any employee on the Company’s payroll in Puerto Rico; however, effective January 1, 2008, these employees are eligible to participate in the Zale Corporation Puerto Rico Employees Savings and Investment Plan (“PR Plan”). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the tax qualification and other applicable requirements of the Internal Revenue Code of 1986, as amended (“Code”).

The Plan is administered by the Zale Corporation Savings and Investment Plan Committee (the “Committee”), which is appointed by the Company’s Board of Directors (the “Board”) or Chief Executive Officer. Fidelity Management Trust Company (“Fidelity”) serves as the trustee for the Plan’s assets and Fidelity Investments Institutional Operations Company Incorporated serves as the recordkeeper for the Plan. The Committee engaged the firm of RBC Wealth Management as investment advisor.

Effective January 1, 2009, the Plan was amended and restated primarily to establish an automatic enrollment feature and new vesting provisions, suspend the Company’s matching contributions, and incorporate certain provisions resulting from a settlement in a class action lawsuit (as discussed below). The Plan was amended effective September 1, 2009 (the “First Amendment”), to permit participants to elect to automatically increase their Plan contributions on an annual basis, and the Plan’s loan provisions were modified regarding the applicable loan interest rate and loan payments made after a participant’s termination of employment. Effective January 1, 2010, the Plan was amended and restated primarily to extend the suspension of the Company’s

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

matching contributions, modify the automatic enrollment feature, incorporate the First Amendment, and to reflect the transfer of participants' accounts who are residents of Puerto Rico to the PR Plan, which was completed on August 2, 2010 (see Note 5).

In 2008, the Company was named as a defendant in a class action lawsuit in *Salvato v. Zale Corporation, et al*, alleging that various violations of ERISA had occurred where Company Common Stock was offered as an investment option under the Plan and certain Plan contributions were invested in Company Common Stock. A settlement agreement was reached in this litigation, effective December 22, 2008, and, as a result, the litigation was dismissed. As part of the settlement agreement, participants are no longer permitted to invest Plan contributions (including pre-tax contributions and Employer contributions) in Company Common Stock effective March 20, 2009. In addition, all participant investments held in the form of Company Common Stock were required to be liquidated and invested in one of the Plan's alternative investment options by June 27, 2010. The Plan was amended and restated to reflect these requirements.

Employee Contributions

Participants are permitted to make pre-tax contributions, from 1% to 60% (or 30% if the participant is a highly-compensated employee as defined by the Code) of their annual compensation, as defined by the Plan, up to the annual maximum of \$16,500 as permitted by the Code. Effective October 1, 2010, the deferral for automatically enrolled participants is set at a pre-tax contribution of 3% of eligible compensation with 1% automatic annual increase up to a maximum deferral of 6% unless changed by the participant. For the period January 1, 2009 through September 30, 2010, the deferral was set at a pre-tax contribution of 2% for participants who were automatically enrolled. Participants who attain the age of 50 before the end of the year are eligible to make catch-up contributions subject to the Code maximum of \$5,500.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Employer Contributions

The Plan generally provides that the Company will make matching contributions to each eligible participant who makes pre-tax contributions to the Plan. The Company does not make matching contributions with respect to catch-up contributions. Effective with the payroll period beginning on February 27, 2009, the Company's matching contributions were suspended until February 28, 2011. On February 28, 2011, the suspension of the Company's matching contributions was extended through July 31, 2011. The Company's matching contributions that were payable with respect to a participant's pre-tax contributions made from January 1, 2009, through February 26, 2009, were allocated to such participant's account after July 31, 2009. The Plan provides that the Company's matching contributions that are made after such contributions are reinstated will be allocated and made on a bi-weekly basis. When applicable, the amount of the Company's matching contributions made with respect to each such participant is currently 50% of the first 4% of annual compensation contributed to the Plan by the participant as a pre-tax contribution. The Plan authorizes the Company to make matching contributions in cash.

Investment Options

Upon enrollment in the Plan, participants may direct contributions in whole percentage increments to various mutual funds, a collective trust, and a brokerage account offered by the Plan. If a participant is automatically enrolled, the participant's contributions are invested in the applicable multi-strategy mutual fund based on the participant's age until the participant changes his or her election. Participants may reallocate the investment of their Plan accounts on a daily basis among any of the Plan investment options. Earnings or losses of the Plan are allocated to the participants based on their relative account balances in the respective Plan investment options.

Participant Loans

Eligible participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their respective account balance. The \$50,000 limit is reduced by the participant's highest loan balance in the preceding 12-month period. Loan terms range from one to five years or up to 20 years for the purchase of a primary residence. Generally, a participant may not have more than one loan outstanding at any point in time. The loans are secured by up to 50% of the participant's vested accounts and bear interest at 1% plus the prime rate as of the last business day of the month immediately preceding the month in which the loan is made. Principal and interest are paid ratably through bi-weekly payroll deductions or through electronic funds transfers. If the loan is not repaid, the total outstanding balance will be treated as a distribution to the participant effective on the last day of the grace period (as defined by the Plan).

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Vesting

Participants are immediately vested in their pre-tax contributions, catch-up contributions, rollover contributions, and, if the participant began making pre-tax contributions prior to January 1, 2009, in their Employer contributions plus actual earnings thereon. Participants who first begin making pre-tax contributions on or after January 1, 2009, must complete two years of vesting service prior to becoming vested in Employer contributions. A year of vesting service is generally a plan year in which an employee has performed at least 1,000 hours of service.

Forfeitures

Upon termination of employment, participants forfeit their nonvested balances. If a participant is rehired within a five-year period, the forfeited contributions may be reinstated if the prior distribution is re-contributed to the Plan. Forfeited balances of terminated participant's nonvested accounts are used to reduce future Company contributions.

Distributions and Withdrawals

A participant will be entitled to a complete distribution of the participant's vested Plan accounts upon the participant's retirement, disability (as defined in the Plan) or termination of employment for any reason in the form of a single, lump-sum distribution or a direct rollover to an Individual Retirement Account, another employer's qualified retirement plan, and certain other retirement accounts, annuities, or plans permitted under the Plan document and the Code (collectively, an Eligible Retirement Plan). In the event of the participant's death, the participant's accounts will be distributed to the participant's beneficiary. In any case, if the participant's vested account balance is less than \$1,000, it will be automatically distributed in the form of a single lump sum payment as soon as practicable following the distribution event, unless the participant elects to roll it over to an Eligible Retirement Plan.

If the participant's vested account is at least \$1,000, the participant may leave the balance in the Plan until the participant's normal retirement date. Participants may also make withdrawals during employment upon the attainment of age 59 1/2 or the occurrence of a hardship, subject to terms of the Plan. In-service withdrawals may also be made from the participant's Rollover Account or prior After-Tax Contribution Account (to the extent applicable to certain participants) at any time as defined by the Plan.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Amendment or Termination of the Plan

The Company's Board has the right to amend or terminate the Plan or to reduce or stop contributions either temporarily or permanently at its sole discretion subject to the provisions of ERISA. In addition, the Chief Executive Officer has the authority to amend the Plan to comply with changes in the law or to implement changes recommended by the Committee that will not materially increase the cost of maintaining the Plan. If the Board exercised its right to stop contributions permanently or to terminate the Plan, the entire amount in each participant's account would be 100% vested and distributed under the direction of the Committee. The Board has no intention at this time to terminate the Plan.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Investment Valuation and Income Recognition

Investments held by the Plan are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Investments in Company Common Stock are valued at fair market value based on quoted market prices. Investments in mutual funds are valued at fair value using published market prices, which represent the net asset value of shares held by the plan at year-end. Participant brokerage accounts hold common stock and mutual funds and are valued at fair value based on the quoted and published market prices of shares held by the Plan at year-end.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measure attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust, the Fidelity Managed Income Portfolio ("MIP Fund"). The statements of net assets available for benefits present the fair value of the investment in the MIP

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fund as well as the adjustment from fair value to contract value. The fair value of the Plan's interest in the MIP Fund is based on information reported by Fidelity, the issuer of the collective trust at year-end, based upon the underlying fair values of securities held. The contract value of the MIP Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as earned.

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2010 or 2009. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Payments of Benefits

Payments to participants and beneficiaries are recorded when paid.

Excess Contributions Payable

Amounts payable to participants for contributions in excess of amounts allowed by the IRS are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the excess contributions to the applicable participants prior to March 15, 2011.

Administration Expenses

The Plan's administrative expenses are paid by either the Plan or the Company, as provided by the Plan's provisions. Administrative expenses paid by the Plan include recordkeeping and trustee fees.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan invests in certain investments that are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect participants' accounts and the amounts reported in the statements of net assets available for plan benefits.

Reclassifications

Certain prior-year amounts in the accompanying financial statements have been reclassified to conform to plan year 2010 classifications. Participant loans were reclassified from investments to notes receivable from participants as of December 31, 2009 (see below for further discussion). Refund of excess contributions for the year ended December 31, 2009, was reclassified to participant contributions. In addition, administrative expenses were reclassified from payments to participants and beneficiaries to administrative expenses for the year ended December 31, 2009.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amended Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2009. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not affect the Plan's net assets available for benefits or its changes in net assets available for benefits.

In September 2010, the FASB issued ASU 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*. ASU 2010-25 requires participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and classified as notes receivable from participants. Previously loans were measured at fair value and classified as investments. ASU 2010-25 is effective for fiscal years ending after December 15, 2010 and is required to be applied retrospectively. Adoption of ASU 2010-25 did not change the value of participant loans from the amount previously reported as of December 31, 2009. Participant loans have been reclassified to notes receivable from participants as of December 31, 2009.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures (although certain of these new disclosures will not be required for nonpublic entities). The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

Subsequent Events

We have evaluated subsequent events through the date the financial statements were available for issuance, which occurred on July 28, 2011.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values. These tiers include:

- Level 1 Quoted prices for *identical* instruments in active markets;
- Level 2 Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and
- Level 3 Instruments whose significant inputs are *unobservable*.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 2 provides a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009. The methods described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010:

Investments	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Domestic equity	\$ 4,183,827	\$ —	\$ —	\$ 4,183,827
Domestic fixed income	4,948,030	—	—	4,948,030
International	3,993,602	—	—	3,993,602
Real estate	847,148	—	—	847,148
Multi-strategy	62,529,299	—	—	62,529,299
Total mutual funds	76,501,906	—	—	76,501,906
Collective trust:				
Stable value fund ⁽¹⁾	—	5,857,396	—	5,857,396
Total collective trust	—	5,857,396	—	5,857,396
Participant brokerage account	602,691	—	—	602,691
Total assets at fair value	\$ 77,104,597	\$ 5,857,396	\$ —	\$ 82,961,993

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

Investments	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Domestic equity	\$ 3,776,836	\$ —	\$ —	\$ 3,776,836
Domestic fixed income	3,214,084	—	—	3,214,084
International	4,520,799	—	—	4,520,799
Real estate	502,604	—	—	502,604
Multi-strategy	64,924,895	—	—	64,924,895
Total mutual funds	76,939,218	—	—	76,939,218
Collective trust:				
Stable value fund ⁽¹⁾	—	6,757,766	—	6,757,766
Total collective trust	—	6,757,766	—	6,757,766
Participant brokerage account	212,105	—	—	212,105
Zale Corporation common stock	1,283,026	—	—	1,283,026
Total assets at fair value	\$ 78,434,349	\$ 6,757,766	\$ —	\$ 85,192,115

- (1) This category includes a common/collective trust fund that is designed to deliver safety and stability by preserving principal and accumulating earnings. This fund is primarily invested in fixed income securities, bond funds, derivative instruments such as futures contracts and swap agreements, money market funds, and enters into wrapper contracts issued by third parties. Participant-directed redemptions have no restrictions; however, the Plan is required to provide a one year redemption notice to liquidate its entire share in the fund. The fair value of this fund has been estimated based on the fair value of the underlying investment contracts in the fund as reported by the issuer of the fund. The fair value differs from the contract value. As previously discussed in Note 2, contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

4. Investments

The following investments are greater than five percent of the Plan's net assets available for benefits as of December 31, 2010 and 2009:

Investments	2010	2009
Fidelity Freedom Fund 2010	\$ 4,604,137	\$ 6,449,058
Fidelity Freedom Fund 2015	8,921,141	8,835,554
Fidelity Freedom Fund 2020	11,898,323	11,784,148
Fidelity Freedom Fund 2025	12,512,740	12,279,078
Fidelity Freedom Fund 2030	8,443,320	8,155,484
Fidelity Freedom Fund 2035	5,422,626	4,964,891
Fidelity Freedom Fund 2040	6,017,897	5,442,172
Fidelity Managed Income Portfolio *	5,857,396	6,757,766

*Contract value was \$5,809,770 and \$6,883,428 at December 31, 2010 and 2009, respectively.

All investment information disclosed in the accompanying financial statements and supplemental schedule including investments held, the adjustment from fair value to contract value for fully benefit-responsive investment contracts held in a collective trust, and notes receivable from participants at December 31, 2010 and 2009 and net appreciation (depreciation) in fair value of investments, interest and dividends for the years ended December 31, 2010 and 2009, was obtained or derived from information provided to the plan administrator and certified as complete and accurate by Fidelity, the trustee of the Plan.

5. Transfer to Zale Corporation Puerto Rico Employees Savings and Investment Plan

The PR Plan was adopted by the Company effective January 1, 2008. Puerto Rico employees who were participants in the Plan prior to January 1, 2008, became eligible to participate in the PR Plan on January 1, 2008. Puerto Rico employees who were not participants in the Plan are eligible to participate in the PR Plan once eligibility requirements are met. The participants' investments and loan balances in the Plan as of January 1, 2008, plus subsequent investment gains / losses and loan repayments, remained in the Plan until August 2, 2010, at which time they were transferred to the PR Plan. Assets transferred to the PR Plan totaled \$1,307,176, including \$1,164,273 of participants' investments and \$142,903 of participant loans.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

6. Related-Party Transactions

During the years ended December 31, 2010 and 2009, the Plan engaged in related-party transactions with Fidelity in its roles as trustee and asset custodian of the Plan since certain investments are managed by it. Additionally, until June 27, 2010, a portion of the Plan's assets were invested in the Company's Common Stock. Because the Company is the Plan's sponsor, transactions involving the Company's Common Stock qualify as related-party transactions. Such transactions are considered to be exempt party-in-interest transactions.

7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits and the net increase in net assets per the financial statements to the Form 5500:

	December 31,	
	2010	2009
Net assets available for benefits per the financial statements	\$ 85,570,244	\$ 88,560,565
Adjustment from fair value to contract value for fully benefit-responsive investment contracts in a collective trust	47,626	(125,662)
Net assets available for benefits per the Form 5500	<u>\$ 85,617,870</u>	<u>\$ 88,434,903</u>
		Year Ended December 31, 2010
Net decrease in net assets per the financial statements		\$ (2,990,321)
Add: 2010 adjustment from fair value to contract value for fully benefit-responsive investment contracts in a collective trust		47,626
Less: 2009 adjustment from fair value to contract value for fully benefit-responsive investment contracts in a collective trust		125,662
Net decrease in net assets per the Form 5500		<u>\$ (2,817,033)</u>

The accompanying financial statements present a collective trust that invests in fully benefit-responsive contracts at contract value. The Form 5500 requires a collective trust that invests in fully benefit-responsive investment contracts to be reported at fair value. As a result, the adjustment from fair value to contract value for a collective trust that invests in fully benefit-responsive investment contracts represents a reconciling item.

Zale Corporation Savings and Investment Plan

Notes to Financial Statements (continued)

8. Tax Status

The Plan has received a determination letter from the IRS dated August 4, 2003, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The Plan sponsor believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes the Plan, as amended and restated, is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

Zale Corporation Savings and Investment Plan

Schedule H; Line 4i – Schedule of Assets (Held at End of Year)

EIN: 75-0675400 Plan #: 002

December 31, 2010

Identity of Issue	Shares	Description of Investment	Current Value
Mutual Funds			
American Beacon Large Cap Value Fund	39,783	Domestic Large Cap Value	\$ 775,780
American Beacon Small Cap Value Fund	22,970	Domestic Small Cap Value	445,848
Aston Optimum Mid Cap Fund	35,454	Domestic Mid Cap Value	1,132,410
American Funds Growth Fund of America R4	60,505	Intermediate-Term Bond	1,826,633
Columbia Acorn Fund	47,374	Domestic Mid Cap Growth	1,430,234
Lazard Emerging Markets Portfolio	149,654	Diversified Emerging Markets	3,259,463
* Spartan US Equity Index Fund	8,983	Domestic Large Cap Blend	399,555
Vanguard REIT Index Fund	46,091	Real Estate	847,148
Harbor International Institution	12,125	International Large Cap Blend	734,139
* Fidelity Freedom Income	65,902	Multi-Strategy Asset Allocation	743,377
* Fidelity Freedom 2000	41,901	Multi-Strategy Asset Allocation	500,299
* Fidelity Freedom 2005	142,814	Multi-Strategy Asset Allocation	1,543,823
* Fidelity Freedom 2010	338,789	Multi-Strategy Asset Allocation	4,604,137
* Fidelity Freedom 2015	786,697	Multi-Strategy Asset Allocation	8,921,141
* Fidelity Freedom 2020	862,823	Multi-Strategy Asset Allocation	11,898,323
* Fidelity Freedom 2025	1,086,175	Multi-Strategy Asset Allocation	12,512,740
* Fidelity Freedom 2030	613,168	Multi-Strategy Asset Allocation	8,443,320
* Fidelity Freedom 2035	472,766	Multi-Strategy Asset Allocation	5,422,626
* Fidelity Freedom 2040	751,298	Multi-Strategy Asset Allocation	6,017,897
* Fidelity Freedom 2045	92,527	Multi-Strategy Asset Allocation	878,081
* Fidelity Freedom 2050	111,251	Multi-Strategy Asset Allocation	1,043,535
PIMCO Total Return Fund	287,686	Intermediate-Term Bond	3,121,397
Brokerage Account			
BrokerageLink		Stocks, Bonds, Mutual Funds, ST Investments, Cash	602,691
Collective Trust			
* Fidelity Managed Income Portfolio	5,809,770	Stable Value Fund	5,857,396
* Participant loans		Participants' Loans, interest rates ranging from 4.25% to 11.5% and maturity dates ranging from January 2011 to February 2025	2,683,298
Total			<u>\$ 85,645,291</u>

*Indicates each identified person/entity known to be a party in interest.

Note: Information on cost of the investments is excluded as all investments are participant directed.

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I Annual Report Identification Information

For calendar plan year 2010 or fiscal plan year beginning

and ending

- A** This return/report is for: ☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) _____
- B** This return/report is: ☐ the first return/report; ☐ the final return/report; ☒ an amended return/report; ☐ a short plan year return/report (less than 12 months).
- C** If the plan is a collectively-bargained plan, check here ☐
- D** Check box if filing under: ☐ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description) _____

Part II Basic Plan Information -enter all requested information

1 a Name of plan ZALE CORPORATION SAVINGS AND INVESTMENT PLAN	1 b Three-digit plan number (PN) ► 002 1 c Effective date of plan 01/01/1992
2 a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) ZALE CORPORATION 901 W. WALNUT HILL LANE IRVING TX 75038	2 b Employer Identification Number (EIN) 75-0675400 2 c Sponsor's telephone number 972-580-4000 2 d Business code (see instructions) 448310

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE		8/1/11	JAMES SULLIVAN
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

 Form 5500 (2010)
 v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") SAME	3b Administrator's EIN 3c Administrator's telephone number
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	9285
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants	6a	8106
b Retired or separated participants receiving benefits	6b	127
c Other retired or separated participants entitled to future benefits	6c	1718
d Subtotal. Add lines 6a , 6b , and 6c	6d	9951
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	6e	35
f Total. Add lines 6d and 6e	6f	9986
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g	7839
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6h	106
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2F 2G 2J 2K 2R 2S 2T 3H 3J

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
---	---

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1) ☒ **R** (Retirement Plan Information)
 (2) ☐ **MB** (Multiemployer Defined Benefit and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
 (3) ☐ **SB** (Single - Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1) ☒ **H** (Financial Information)
 (2) ☐ **I** (Financial Information - Small Plan)
 (3) ☐ **A** (Insurance Information)
 (4) ☒ **C** (Service Provider Information)
 (5) ☒ **D** (DFE/Participating Plan Information)
 (6) ☐ **G** (Financial Transaction Schedules)

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I Annual Report Identification Information

For calendar plan year 2010 or fiscal plan year beginning

and ending

- A** This return/report is for: ☐ a multiemployer plan; ☐ a multiple-employer plan; or
☒ a single-employer plan; ☐ a DFE (specify) _____
- B** This return/report is: ☐ the first return/report; ☐ the final return/report;
☒ an amended return/report; ☐ a short plan year return/report (less than 12 months).
- C** If the plan is a collectively-bargained plan, check here ☐
- D** Check box if filing under: ☐ Form 5558; ☐ automatic extension; ☐ the DFVC program;
☐ special extension (enter description) _____

Part II Basic Plan Information -enter all requested information

1 a Name of plan ZALE CORPORATION SAVINGS AND INVESTMENT PLAN	1 b Three-digit plan number (PN) ► 002 1 c Effective date of plan 01/01/1992
2 a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) ZALE CORPORATION 901 W. WALNUT HILL LANE IRVING TX 75038	2 b Employer Identification Number (EIN) 75-0675400 2 c Sponsor's telephone number 972-580-4000 2 d Business code (see instructions) 448310

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	 Signature of plan administrator	8/1/11 Date	JAMES SULLIVAN Enter name of individual signing as plan administrator
SIGN HERE	 Signature of employer/plan sponsor	 Date	 Enter name of individual signing as employer or plan sponsor
SIGN HERE	 Signature of DFE	 Date	 Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") SAME	3b Administrator's EIN 3c Administrator's telephone number
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	9285
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a, 6b, 6c, and 6d).		
a Active participants	6a	8106
b Retired or separated participants receiving benefits	6b	127
c Other retired or separated participants entitled to future benefits	6c	1718
d Subtotal. Add lines 6a, 6b, and 6c	6d	9951
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	6e	35
f Total. Add lines 6d and 6e	6f	9986
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g	7839
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6h	106

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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- (3) ☐ **A** (Insurance Information)
- (4) ☒ **C** (Service Provider Information)
- (5) ☒ **D** (DFE/Participating Plan Information)
- (6) ☐ **G** (Financial Transaction Schedules)