

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 01/01/2010 and ending 12/31/2010			
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 ZALE CORPORATION PUERTO RICO EMPLOYEES SAVINGS AND INVESTMENT PLAN	1b Three-digit plan number (PN) ►	003	
	1c Effective date of plan	01/01/2008	
2a 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 M/S 6B-12 IRVING, TX 75038	2b Employer Identification Number (EIN) 75-0675400	2c Sponsor's telephone number 972-580-4342	2d 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	Filed with authorized/valid electronic signature.	09/28/2011	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

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")

ZALE CORPORATION

901 W. WALNUT HILL LANE
M/S 6B-12
IRVING, TX 75038**3b** Administrator's EIN

75-0675400

3c Administrator's telephone number

972-580-4342

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**5** Total number of participants at the beginning of the plan year**5**

200

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**

189

b Retired or separated participants receiving benefits.....**6b****c** Other retired or separated participants entitled to future benefits.....**6c**

62

d Subtotal. Add lines **6a**, **6b**, and **6c**.....**6d**

251

e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....**6e****f** Total. Add lines **6d** and **6e**.....**6f**

251

g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....**6g**

230

h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....**6h**

5

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 3C 3H

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 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 PUERTO RICO EMPLOYEES SAVINGS AND INVESTMENT PLAN	B Three-digit plan number (PN) ▶	003
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 INVESTMENTS INSTITUTIONAL
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?
15 28 37 52 64 65	RECORDKEEPER	596	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.	

Part II Service Providers Who Fail or Refuse to Provide Information

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)
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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 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 PUERTO RICO EMPLOYEES SAVINGS AND INVESTMENT PLAN	B Three-digit plan number (PN) ►	003
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		
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)	9816	29108
(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)		
(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)	2587	107352
(9) Value of interest in common/collective trusts.....	1c(9)		
(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)	410344	1771134
(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)		
(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	422747	1907594

Liabilities

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

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	422747	1907594
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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) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(B) Participants	2a(1)(B)	122370	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		122370
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	4	
(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)	3374	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		3378
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	35901	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		35901
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(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)		145347
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		306996

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	128729	
(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)		128729
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)	596	
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		596
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		129325

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		177671
l Transfers of assets:			
(1) To this plan.....	2l(1)		1307176
(2) From this plan	2l(2)		

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.			

- 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)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

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.
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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 PUERTO RICO EMPLOYEES SAVINGS AND INVESTMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>003</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
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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>66-0561870</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)
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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
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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.
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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 Puerto Rico Employees Savings and
Investment Plan
Years Ended December 31, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Financial Statements and Supplemental Schedule

Years Ended December 31, 2010 and 2009

Contents

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* 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 Puerto Rico Employees Savings and Investment Plan

We were engaged to audit the accompanying statement of net assets available for benefits of Zale Corporation Puerto Rico Employees Savings and Investment Plan as of December 31, 2010, 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 Note 4, which was certified by Fidelity Investments Institutional Operations Company, Inc., the recordkeeper of the Plan, as agent for Banco Popular de Puerto Rico, 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 holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the agent, on behalf of 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 agent, on behalf of 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

September 23, 2011

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Statements of Net Assets Available for Plan Benefits

	December 31,	
	2010	2009
Assets		
Investments, at fair value	\$ 1,800,242	\$ 420,160
Notes receivable from participants	107,352	2,587
Net assets available for benefits	<u>\$ 1,907,594</u>	<u>\$ 422,747</u>

See accompanying notes.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Statements of Changes in Net Assets Available for Plan Benefits

	Year Ended December 31,	
	2010	2009
Increase in net assets:		
Investment income:		
Net appreciation in the fair value of investments	\$ 145,347	\$ 84,741
Interest and dividends	39,279	10,841
Total investment income	184,626	95,582
Contributions:		
Employer	—	16,002
Participants	122,370	166,719
Total contributions	122,370	182,721
Total increase in net assets	306,996	278,303
Decrease in net assets:		
Payments to participants and beneficiaries	128,729	61,715
Administrative expenses	596	79
	129,325	61,794
Transfers:		
Transfer in from Zale Corporation Savings and Investment Plan	1,307,176	—
Net increase in net assets available for benefits	1,484,847	216,509
Net assets available for benefits, beginning of year	422,747	206,238
Net assets available for benefits, end of year	<u>\$ 1,907,594</u>	<u>\$ 422,747</u>

See accompanying notes.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements

December 31, 2010

1. Description of Plan

The following description of the Zale Corporation Puerto Rico Employees Savings and Investment 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 and was adopted effective January 1, 2008. Puerto Rico employees who were participants in the Zale Corporation Savings and Investment Plan (Zale US Plan) prior to January 1, 2008, became eligible to participate in the Plan on January 1, 2008. Employees who were not participants in the Zale US Plan are eligible to participate in the Plan once they have completed one year of service (at least 1,000 hours) and have attained 21 years of age. Eligible participants are automatically enrolled in the Plan unless they decline to participate. Employees who work outside of Puerto Rico, 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. The Plan is subject to the provisions of the Employee Retirement Security Act of 1974, as amended (ERISA) and the tax qualification and other applicable requirements of the Puerto Rico Internal Revenue Code of 1994, as amended (PR Code).

Effective January 1, 2009, the Plan was amended and restated, primarily to establish an automatic enrollment feature and new vesting provisions. The Plan was subsequently amended throughout 2009 and 2010 primarily to (1) suspend the Company's matching contributions until July 31, 2011; (2) permit participants to elect automatic increases in their pre-tax contributions on an annual basis; (3) modify the Plan's loan provisions regarding the applicable loan interest rate and loan payments made after a participant's termination of employment; and (4) reflect the transfer of participants' accounts from the Zale US Plan, which was completed on August 2, 2010 (see Note 5). All the amendments were effective January 1, 2009.

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. Banco Popular de Puerto Rico serves as the trustee for the Plan's assets, and Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as the recordkeeper of the Plan and an agent on behalf of the trustee. The Committee engaged the firm of RBC Wealth Management as investment advisor.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

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 PR Code) of their annual compensation, as defined by the Plan. Effective January 1, 2009, the deferral for automatically enrolled participants is set at a pre-tax contribution of 2% of eligible compensation unless changed by the participant. Participants who attain the age of 50 before the end of the year are eligible to make catch-up contributions. All contributions are subject to certain limitations of the PR Code.

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 July 31, 2011. In July 2011, the Company's matching contributions were suspended until July 2012. 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 and a money market fund. 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.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

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).

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. Certain employees who were first employed during the 2009 plan year may also be eligible to receive a credit for two years of vesting service, if they complete 1,000 hours of service during both their initial year of employment that began before January 1, 2010, and the 2009 plan year.

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 participants' nonvested accounts are used to reduce future Company contributions.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

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 PR 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 59½ 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 at any time, as defined by the Plan.

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.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements (continued)

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 held by the Plan are valued at fair value using published market prices, which represent the net asset value of shares held by the Plan at year-end. 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.

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 Puerto Rico Employees 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 the current year presentation. Participant loans were reclassified from investments to notes receivable from participants as of December 31, 2009 (see below for further discussion). 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 measurements.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 September 23, 2011.

Zale Corporation Puerto Rico Employees 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 assets 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 Puerto Rico Employees 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	\$ 34,469	\$ —	\$ —	\$ 34,469
Domestic fixed income	33,760	—	—	33,760
International	41,186	—	—	41,186
Real estate	8,363	—	—	8,363
Multi-strategy	1,653,356	—	—	1,653,356
Total mutual funds	1,771,134	—	—	1,771,134
Money market fund	29,108	—	—	29,108
Total assets at fair value	<u>\$ 1,800,242</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,800,242</u>

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	\$ 5,408	\$ —	\$ —	\$ 5,408
Domestic fixed income	1,889	—	—	1,889
International	4,359	—	—	4,359
Real estate	1,275	—	—	1,275
Multi-strategy	397,413	—	—	397,413
Total mutual funds	410,344	—	—	410,344
Money market fund	9,816	—	—	9,816
Total assets at fair value	<u>\$ 420,160</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 420,160</u>

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements (continued)

4. Investments

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

Investments	2010	2009
Fidelity Freedom Fund 2020	\$ 677,870	\$ 56,486
Fidelity Freedom Fund 2025	215,261	48,184
Fidelity Freedom Fund 2030	197,385	59,279
Fidelity Freedom Fund 2035	188,142	64,976
Fidelity Freedom Fund 2040	281,284	126,792

All investment information disclosed in the accompanying financial statements and supplemental schedules, including investments held and notes receivable from participants at December 31, 2010 and 2009, and net appreciation in fair value of mutual funds, interest and dividends for the year 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 agent on behalf of Banco Popular de Puerto Rico, the trustee of the Plan.

5. Transfer from Zale Corporation Savings and Investment Plan

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

6. Related-Party Transactions

During the year ended December 31, 2010, the Plan held shares of certain funds managed by Fidelity Management Trust Company, who is an affiliate to the recordkeeper of the Plan. Such transactions are considered to be exempt party-in-interest transactions.

Zale Corporation Puerto Rico Employees Savings and Investment Plan

Notes to Financial Statements (continued)

7. Tax Status

The Plan has received a determination letter from the Commonwealth of Puerto Rico's Department of Treasury (PRDT) dated October 29, 2009, with respect to the amended and restated Plan document effective January 1, 2009, stating that the Plan is qualified under Sections 1165 and 1165(e) of the PR Code and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the PRDT, the Plan was amended for which the PRDT's approval was obtained. Once qualified, the Plan is required to operate in conformity with the PR Code to maintain its qualification. The Plan sponsor believes the Plan is being operated in compliance with applicable requirements of the PR Code and, therefore, believes the Plan 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 PRDT and/or 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.

Supplemental Schedule

Zale Corporation Puerto Rico Employees Savings and Investment Plan

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

EIN: 75-0675400 Plan #: 003

December 31, 2010

Identity of Issue	Shares	Description of Investment	Current Value
Mutual Funds			
American Beacon Large Cap Value Fund	98	Domestic Large Cap Value	\$ 1,919
American Beacon Small Cap Value Fund	424	Domestic Small Cap Value	8,233
Aston Optimum Mid Cap Fund	384	Domestic Mid Cap Value	12,276
American Funds Growth Fund of America R4	866	Intermediate-Term Bond	26,140
Columbia Acorn Fund	323	Domestic Mid Cap Growth	9,747
Lazard Emerging Markets Portfolio	1,114	Diversified Emerging Markets	24,260
* Spartan US Equity Index Fund	52	Domestic Large Cap Blend	2,294
Cohen & Steers Instl Realty Shares	220	Real Estate	8,363
Harbor International Institution	280	International Large Cap Blend	16,926
* Fidelity Freedom Income	146	Multi-Strategy Asset Allocation	1,650
* Fidelity Freedom 2000	85	Multi-Strategy Asset Allocation	1,015
* Fidelity Freedom 2005	1,885	Multi-Strategy Asset Allocation	20,374
* Fidelity Freedom 2010	212	Multi-Strategy Asset Allocation	2,881
* Fidelity Freedom 2015	2,672	Multi-Strategy Asset Allocation	30,296
* Fidelity Freedom 2020	49,157	Multi-Strategy Asset Allocation	677,870
* Fidelity Freedom 2025	18,686	Multi-Strategy Asset Allocation	215,261
* Fidelity Freedom 2030	14,334	Multi-Strategy Asset Allocation	197,385
* Fidelity Freedom 2035	16,403	Multi-Strategy Asset Allocation	188,142
* Fidelity Freedom 2040	35,117	Multi-Strategy Asset Allocation	281,284
* Fidelity Freedom 2045	2,706	Multi-Strategy Asset Allocation	25,682
* Fidelity Freedom 2050	1,228	Multi-Strategy Asset Allocation	11,516
PIMCO Total Return Fund	702	Intermediate-Term Bond	7,620
* Fidelity Money Market Trust Retirement	29,108	Money Market	29,108
* Participant loans		Participants' Loans, interest rates ranging from 4.25% to 9.25% and maturity dates ranging from February 2011 to November 2017	107,352
Total			<u>\$ 1,907,594</u>

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

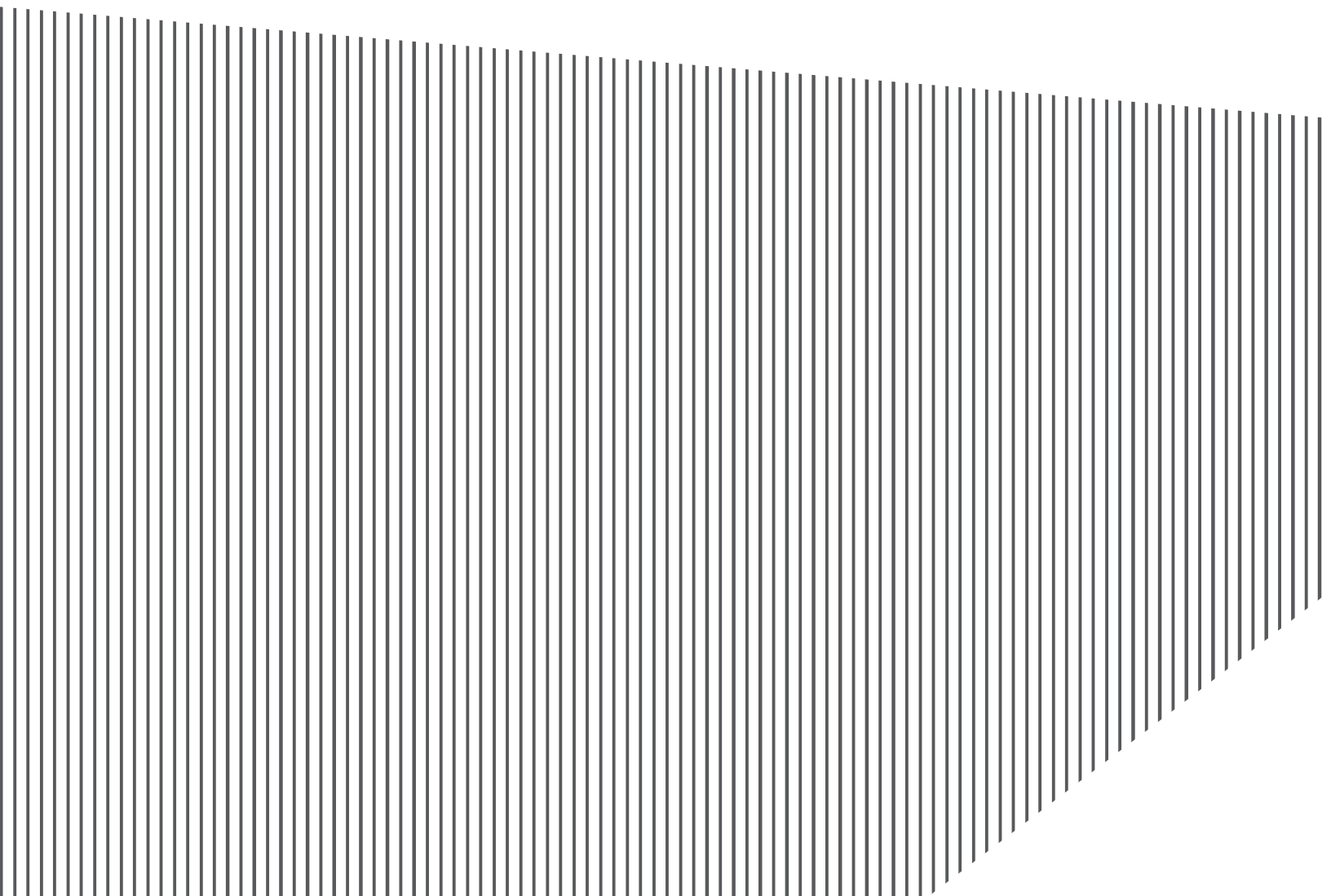
Note: Information on cost of the investments is excluded as all investments are participant directed.

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Total			<u>\$ 1,907,594</u>

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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 PUERTO RICO EMPLOYEES SAVINGS AND INVESTMENT PLAN	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 40%; text-align: center;">003</td> </tr> <tr> <td colspan="2">1c Effective date of plan 01/01/2008</td> </tr> <tr> <td colspan="2">2b Employer Identification Number (EIN) 75-0675400</td> </tr> <tr> <td colspan="2">2c Sponsor's telephone number 972-580-4342</td> </tr> <tr> <td colspan="2">2d Business code (see instructions) 448310</td> </tr> </table>	1b Three-digit plan number (PN) ▶	003	1c Effective date of plan 01/01/2008		2b Employer Identification Number (EIN) 75-0675400		2c Sponsor's telephone number 972-580-4342		2d Business code (see instructions) 448310	
1b Three-digit plan number (PN) ▶	003										
1c Effective date of plan 01/01/2008											
2b Employer Identification Number (EIN) 75-0675400											
2c Sponsor's telephone number 972-580-4342											
2d Business code (see instructions) 448310											
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 M/S 6B-12 IRVING TX 75038											

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	9/27/11 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

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 ZALE CORPORATION	4b EIN 75-0675400 4c PN 002
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5 Total number of participants at the beginning of the plan year	5	200
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	189
b Retired or separated participants receiving benefits	6b	0
c Other retired or separated participants entitled to future benefits	6c	62
d Subtotal. Add lines 6a, 6b, and 6c	6d	251
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	6e	0
f Total. Add lines 6d and 6e	6f	251
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g	230
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6h	5
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 2S 2T 3C 3H

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 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)
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