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| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>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), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).<br><br><p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p> | OMB Nos. 1210-0110<br>1210-0089<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
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| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                                                                                                                                                                                           |
| For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u> |                                                                                                                                                                                                                                           |
| A This return/report is for:                                                                             | <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or<br><input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____                         |
| B This return/report is:                                                                                 | <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report;<br><input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months). |
| C If the plan is a collectively-bargained plan, check here. . . . .                                      | <input type="checkbox"/>                                                                                                                                                                                                                  |
| D Check box if filing under:                                                                             | <input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program;<br><input type="checkbox"/> special extension (enter description)                                 |

|                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|--|
| <b>Part II</b>                                                                                                                                                                                                    | <b>Basic Plan Information—enter all requested information</b>                                                                                                                                                                                                                                                                          |                                                                     |                                                             |                                                             |  |
| <b>1a</b> Name of plan<br><u>ZALE CORPORATION SAVINGS &amp; INVESTMENT PLAN</u>                                                                                                                                   | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>1b</b> Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>002</u></td> </tr> <tr> <td colspan="2"><b>1c</b> Effective date of plan<br/><u>04/03/2006</u></td> </tr> </table>                        | <b>1b</b> Three-digit plan number (PN) ▶                            | <u>002</u>                                                  | <b>1c</b> Effective date of plan<br><u>04/03/2006</u>       |  |
| <b>1b</b> Three-digit plan number (PN) ▶                                                                                                                                                                          | <u>002</u>                                                                                                                                                                                                                                                                                                                             |                                                                     |                                                             |                                                             |  |
| <b>1c</b> Effective date of plan<br><u>04/03/2006</u>                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
| <b>2a</b> Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)<br><br><u>ZALE CORPORATION</u><br><br><u>901 W. WALNUT HILL LANE</u><br><u>IRVING, TX 75038</u> | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td><b>2b</b> Employer Identification Number (EIN)<br/><u>75-0675400</u></td> </tr> <tr> <td><b>2c</b> Sponsor's telephone number<br/><u>972-580-4000</u></td> </tr> <tr> <td><b>2d</b> Business code (see instructions)<br/><u>448310</u></td> </tr> </table> | <b>2b</b> Employer Identification Number (EIN)<br><u>75-0675400</u> | <b>2c</b> Sponsor's telephone number<br><u>972-580-4000</u> | <b>2d</b> Business code (see instructions)<br><u>448310</u> |  |
| <b>2b</b> Employer Identification Number (EIN)<br><u>75-0675400</u>                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
| <b>2c</b> Sponsor's telephone number<br><u>972-580-4000</u>                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
| <b>2d</b> Business code (see instructions)<br><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.

|                                                                                                            |                                                   |            |                                                              |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------|--------------------------------------------------------------|
| <b>SIGN HERE</b>                                                                                           | Filed with authorized/valid electronic signature. | 07/17/2014 | FANNY SHEUMAKER                                              |
|                                                                                                            | Signature of plan administrator                   | Date       | Enter name of individual signing as plan administrator       |
| <b>SIGN HERE</b>                                                                                           |                                                   |            |                                                              |
|                                                                                                            | Signature of employer/plan sponsor                | Date       | Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b>                                                                                           |                                                   |            |                                                              |
|                                                                                                            | Signature of DFE                                  | Date       | Enter name of individual signing as DFE                      |
| Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional) |                                                   |            | Preparer's telephone number (optional)                       |

|                                                                                                                                                                                        |  |                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------|
| <b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor Name <input type="checkbox"/> Same as Plan Sponsor Address                    |  | <b>3b</b> Administrator's EIN              |
| <b>4</b> 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: |  | <b>3c</b> Administrator's telephone number |
| <b>a</b> Sponsor's name                                                                                                                                                                |  |                                            |
| <b>4b</b> EIN                                                                                                                                                                          |  |                                            |
| <b>4c</b> PN                                                                                                                                                                           |  |                                            |
| <b>5</b> Total number of participants at the beginning of the plan year                                                                                                                |  | <b>5</b> 7532                              |
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).                                 |  |                                            |
| <b>a</b> Active participants .....                                                                                                                                                     |  | <b>6a</b> 5958                             |
| <b>b</b> Retired or separated participants receiving benefits .....                                                                                                                    |  | <b>6b</b> 12                               |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                                                      |  | <b>6c</b> 1434                             |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                                                               |  | <b>6d</b> 7404                             |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits .....                                                                             |  | <b>6e</b> 23                               |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                                                |  | <b>6f</b> 7427                             |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) .....                                        |  | <b>6g</b> 6805                             |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested .....                                            |  | <b>6h</b> 5                                |
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....                                                    |  | <b>7</b>                                   |
| <b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:<br>2E 2G 2J 2K 2R 2S 2T   |  |                                            |
| <b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:                            |  |                                            |

|                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>9a</b> Plan funding arrangement (check all that apply)                                                                                                                                                                        | <b>9b</b> Plan benefit arrangement (check all that apply)                                                                                                                                                                        |
| (1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor | (1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor |
| <b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)                                                                |                                                                                                                                                                                                                                  |
| <b>a Pension Schedules</b>                                                                                                                                                                                                       | <b>b General Schedules</b>                                                                                                                                                                                                       |
| (1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)                                                                                                                                                   | (1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information)                                                                                                                                                         |
| (2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary                                                                   | (2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan)                                                                                                                                                       |
| (3) <input type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary                                                                                                 | (3) <input type="checkbox"/> <b>A</b> (Insurance Information)                                                                                                                                                                    |
|                                                                                                                                                                                                                                  | (4) <input checked="" type="checkbox"/> <b>C</b> (Service Provider Information)                                                                                                                                                  |
|                                                                                                                                                                                                                                  | (5) <input checked="" type="checkbox"/> <b>D</b> (DFE/Participating Plan Information)                                                                                                                                            |
|                                                                                                                                                                                                                                  | (6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules)                                                                                                                                                          |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        |                                                |
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| <b>SCHEDULE C</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Service Provider Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br><br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110                              |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>2013</b>                                    |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>This Form is Open to Public Inspection.</b> |

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

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

**Part I Service Provider Information (see instructions)**

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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**(b)** Enter name and EIN or address of person who provided you disclosures 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)

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04-2647786

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>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)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 37 60 64 65 71         | RECORDKEEPER                                                                                      | 107052                                                                 | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                  | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                            | 0                                                                                                                                                                               | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                          |

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

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

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

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

**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)

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

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

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

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

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

**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<br>(see instructions) | (c) Enter amount of indirect compensation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 60                                      | 0                                         |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p style="text-align: center;">(d) Enter name and EIN (address) of source of indirect compensation</p> <p>TOCQUEVILLE      40 W 57TH STREET 19TH FL<br/>NEW YORK, NY 10019</p> </div> <div style="width: 40%;"> <p style="text-align: center;">(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> </div> </div>                |                                         |                                           |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p style="text-align: center;">(a) Enter service provider name as it appears on line 2</p> <p>FIDELITY INVESTMENTS INSTITUTIONAL</p> </div> <div style="width: 20%;"> <p style="text-align: center;">(b) Service Codes<br/>(see instructions)</p> <p style="text-align: center;">60</p> </div> <div style="width: 20%;"> <p style="text-align: center;">(c) Enter amount of indirect compensation</p> <p style="text-align: center;">0</p> </div> </div>        |                                         |                                           |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p style="text-align: center;">(d) Enter name and EIN (address) of source of indirect compensation</p> <p>PUTNAM HIGH YIELD      ONE POST OFFICE SQUARE MAILZONE G3C<br/>BOSTON, MA 02109</p> </div> <div style="width: 40%;"> <p style="text-align: center;">(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> </div> </div> |                                         |                                           |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p style="text-align: center;">(a) Enter service provider name as it appears on line 2</p> <p>FIDELITY INVESTMENTS INSTITUTIONAL</p> </div> <div style="width: 20%;"> <p style="text-align: center;">(b) Service Codes<br/>(see instructions)</p> <p style="text-align: center;">60</p> </div> <div style="width: 20%;"> <p style="text-align: center;">(c) Enter amount of indirect compensation</p> <p style="text-align: center;">0</p> </div> </div>        |                                         |                                           |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p style="text-align: center;">(d) Enter name and EIN (address) of source of indirect compensation</p> <p>MARSICO FLEXIBLE      803 WEST MICHIGAN STREET SUITE A<br/>MILWAUKEE, WI 53233</p> </div> <div style="width: 40%;"> <p style="text-align: center;">(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> </div> </div>  |                                         |                                           |

**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<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                              | 60                                                                                                                                                                 | 0                                         |
|                                                                                 |                                                                                                                                                                    |                                           |
| (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. |                                           |
| ABF LG CAP VAL INST - STATE STREET      225 FRANKLIN STREET<br>BOSTON, MA 02111 | 0.04%                                                                                                                                                              |                                           |
|                                                                                 |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2                         | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                              | 60                                                                                                                                                                 | 0                                         |
|                                                                                 |                                                                                                                                                                    |                                           |
| (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. |                                           |
| ABF SM CAP VAL INV - STATE STREET      225 FRANKLIN STREET<br>BOSTON, MA 02111  | 0.40%                                                                                                                                                              |                                           |
|                                                                                 |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2                         | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                              | 60                                                                                                                                                                 | 0                                         |
|                                                                                 |                                                                                                                                                                    |                                           |
| (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. |                                           |
| ASTON/F MID CAP N - BNY MELLON INV      P.O. BOX 9793<br>PROVIDENCE, RI 02940   | 0.40%                                                                                                                                                              |                                           |

**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<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (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. |                                           |
| COLUMBIA ACORN Z - COLUMBIA MGT IN                                  | 0.40%                                                                                                                                                              |                                           |
| 04-3156901                                                          |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (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. |                                           |
| HARBOR CAP APPR INV - HARBOR SERVI                                  | 0.40%                                                                                                                                                              |                                           |
| 34-1953399                                                          |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (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. |                                           |
| HARBOR INTL INST - HARBOR SERVICES                                  | 0.10%                                                                                                                                                              |                                           |
| 34-1953399                                                          |                                                                                                                                                                    |                                           |

**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<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                      | 60                                                                                                                                                                 | 0                                         |
|                                                                         |                                                                                                                                                                    |                                           |
| (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. |                                           |
| LZRD EMRG MKTS EQ IS - BOSTON FINA<br>P.O. BOX 8480<br>BOSTON, MA 02266 | 0.15%                                                                                                                                                              |                                           |
|                                                                         |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2                 | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                      | 60                                                                                                                                                                 | 0                                         |
|                                                                         |                                                                                                                                                                    |                                           |
| (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. |                                           |
| PIM TOTAL RT INST - BOSTON FINANCI<br>P.O. BOX 8480<br>BOSTON, MA 02266 | 0.03%                                                                                                                                                              |                                           |
|                                                                         |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2                 | (b) Service Codes<br>(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 |
|--------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |

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

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:



**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)

**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  
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**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

|                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                              |                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Financial Information</b><br><br>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).<br><br><b>► File as an attachment to Form 5500.</b> | <small>OMB No. 1210-0110</small><br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
| For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u>                                                                                                                                                                 |                                                                                                                                                                                                                                                                              |                                                                                                          |
| <b>A</b> Name of plan<br><u>ZALE CORPORATION SAVINGS &amp; INVESTMENT PLAN</u>                                                                                                                                                                                           |                                                                                                                                                                                                                                                                              | <b>B</b> Three-digit plan number (PN) <span style="float: right;">►</span> <u>002</u>                    |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>ZALE CORPORATION</u>                                                                                                                                                                                 |                                                                                                                                                                                                                                                                              | <b>D</b> Employer Identification Number (EIN)<br><br><u>75-0675400</u>                                   |

| Part I Asset and Liability Statement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                 |                       |                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>1</b> 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. <b>Round off amounts to the nearest dollar.</b> 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 |
| <b>a</b> Total noninterest-bearing cash .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>1a</b>       | 0                     | 0               |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                 |                       |                 |
| <b>(1)</b> Employer contributions.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>1b(1)</b>    | 0                     | 0               |
| <b>(2)</b> Participant contributions.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>1b(2)</b>    | 0                     | 0               |
| <b>(3)</b> Other.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>1b(3)</b>    | 0                     | 0               |
| <b>c</b> General investments:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                       |                 |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>1c(1)</b>    | 538295                | 515852          |
| <b>(2)</b> U.S. Government securities .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>1c(2)</b>    | 0                     | 0               |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1c(3)(A)</b> | 0                     | 0               |
| <b>(B)</b> All other.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>1c(3)(B)</b> | 0                     | 0               |
| <b>(4)</b> Corporate stocks (other than employer securities):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1c(4)(A)</b> | 0                     | 0               |
| <b>(B)</b> Common.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>1c(4)(B)</b> | 482922                | 719680          |
| <b>(5)</b> Partnership/joint venture interests .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>1c(5)</b>    | 0                     | 0               |
| <b>(6)</b> Real estate (other than employer real property).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>1c(6)</b>    | 0                     | 0               |
| <b>(7)</b> Loans (other than to participants) .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>1c(7)</b>    | 0                     | 0               |
| <b>(8)</b> Participant loans.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>1c(8)</b>    | 3205856               | 3278174         |
| <b>(9)</b> Value of interest in common/collective trusts .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>1c(9)</b>    | 5995126               | 4806890         |
| <b>(10)</b> Value of interest in pooled separate accounts .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>1c(10)</b>   | 0                     | 0               |
| <b>(11)</b> Value of interest in master trust investment accounts .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>1c(11)</b>   | 0                     | 0               |
| <b>(12)</b> Value of interest in 103-12 investment entities.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>1c(12)</b>   | 0                     | 0               |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>1c(13)</b>   | 79869971              | 93468624        |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>1c(14)</b>   |                       |                 |
| <b>(15)</b> Other.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>1c(15)</b>   | 0                     | 0               |

**1d** Employer-related investments:

|                                                                      |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> | 0                     | 0               |
| (2) Employer real property .....                                     | <b>1d(2)</b> | 0                     | 0               |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    | 0                     | 0               |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 90092170              | 102789220       |

**Liabilities**

|                                                                           |           |       |   |
|---------------------------------------------------------------------------|-----------|-------|---|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> | 0     | 0 |
| <b>h</b> Operating payables .....                                         | <b>1h</b> | 0     | 0 |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> | 0     | 0 |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> | 60805 | 0 |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 60805 | 0 |

**Net Assets**

|                                                           |           |          |           |
|-----------------------------------------------------------|-----------|----------|-----------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 90031365 | 102789220 |
|-----------------------------------------------------------|-----------|----------|-----------|

**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 |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>a Contributions:</b>                                                                                    |                 |            |           |
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 0          |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> | 10491905   |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> | 245716     |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    | 0          |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 10737621  |
| <b>b Earnings on investments:</b>                                                                          |                 |            |           |
| (1) Interest:                                                                                              |                 |            |           |
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....       | <b>2b(1)(A)</b> | 46         |           |
| <b>(B)</b> U.S. Government securities .....                                                                | <b>2b(1)(B)</b> | 0          |           |
| <b>(C)</b> Corporate debt instruments .....                                                                | <b>2b(1)(C)</b> | 0          |           |
| <b>(D)</b> Loans (other than to participants) .....                                                        | <b>2b(1)(D)</b> | 0          |           |
| <b>(E)</b> Participant loans .....                                                                         | <b>2b(1)(E)</b> | 138466     |           |
| <b>(F)</b> Other .....                                                                                     | <b>2b(1)(F)</b> | 0          |           |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                              | <b>2b(1)(G)</b> |            | 138512    |
| (2) Dividends: <b>(A)</b> Preferred stock .....                                                            | <b>2b(2)(A)</b> | 0          |           |
| <b>(B)</b> Common stock .....                                                                              | <b>2b(2)(B)</b> | 17954      |           |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                                  | <b>2b(2)(C)</b> | 3780732    |           |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....                  | <b>2b(2)(D)</b> |            | 3798686   |
| (3) Rents .....                                                                                            | <b>2b(3)</b>    |            | 0         |
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                                 | <b>2b(4)(A)</b> | 837412     |           |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                                              | <b>2b(4)(B)</b> | 775193     |           |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....                  | <b>2b(4)(C)</b> |            | 62219     |
| (5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....                         | <b>2b(5)(A)</b> | 0          |           |
| <b>(B)</b> Other .....                                                                                     | <b>2b(5)(B)</b> | 85083      |           |
| <b>(C)</b> Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....         | <b>2b(5)(C)</b> |            | 85083     |

|                                                                                                |        | (a) Amount | (b) Total |
|------------------------------------------------------------------------------------------------|--------|------------|-----------|
| (6) Net investment gain (loss) from common/collective trusts.....                              | 2b(6)  |            | -51395    |
| (7) Net investment gain (loss) from pooled separate accounts.....                              | 2b(7)  |            | 0         |
| (8) Net investment gain (loss) from master trust investment accounts.....                      | 2b(8)  |            | 0         |
| (9) Net investment gain (loss) from 103-12 investment entities.....                            | 2b(9)  |            | 0         |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)..... | 2b(10) |            | 9312517   |
| c Other income.....                                                                            | 2c     |            | 0         |
| d Total income. Add all <b>income</b> amounts in column (b) and enter total.....               | 2d     |            | 24083243  |

**Expenses**

|                                                                                     |       |          |          |
|-------------------------------------------------------------------------------------|-------|----------|----------|
| e Benefit payment and payments to provide benefits:                                 |       |          |          |
| (1) Directly to participants or beneficiaries, including direct rollovers.....      | 2e(1) | 11188660 |          |
| (2) To insurance carriers for the provision of benefits.....                        | 2e(2) | 0        |          |
| (3) Other.....                                                                      | 2e(3) | 0        |          |
| (4) Total benefit payments. Add lines 2e(1) through (3).....                        | 2e(4) |          | 11188660 |
| f Corrective distributions (see instructions).....                                  | 2f    |          | 0        |
| g Certain deemed distributions of participant loans (see instructions).....         | 2g    |          | 31033    |
| h Interest expense.....                                                             | 2h    |          | 0        |
| i Administrative expenses: (1) Professional fees.....                               | 2i(1) | 0        |          |
| (2) Contract administrator fees.....                                                | 2i(2) | 0        |          |
| (3) Investment advisory and management fees.....                                    | 2i(3) | 0        |          |
| (4) Other.....                                                                      | 2i(4) | 105695   |          |
| (5) Total administrative expenses. Add lines 2i(1) through (4).....                 | 2i(5) |          | 105695   |
| j Total expenses. Add all <b>expense</b> amounts in column (b) and enter total..... | 2j    |          | 11325388 |

**Net Income and Reconciliation**

|                                                         |       |  |          |
|---------------------------------------------------------|-------|--|----------|
| k Net income (loss). Subtract line 2j from line 2d..... | 2k    |  | 12757855 |
| l Transfers of assets:                                  |       |  |          |
| (1) To this plan.....                                   | 2l(1) |  | 0        |
| (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 lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

**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.).....

**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.).....

|    | Yes | No | Amount |
|----|-----|----|--------|
| 4a |     | X  |        |
| 4b |     | X  |        |

|                                                                                                                                                                                                                               | Yes | No | Amount   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|----------|
| <b>c</b> 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  |          |
| <b>d</b> 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  |          |
| <b>e</b> Was this plan covered by a fidelity bond? .....                                                                                                                                                                      | X   |    | 20000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                       |     | X  |          |
| <b>g</b> 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  |          |
| <b>h</b> 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  |          |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) .....                                                                | X   |    |          |
| <b>j</b> 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  |          |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? .....                                                           |     | X  |          |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                            |     | X  |          |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) .....                                                                                                  |     | X  |          |
| <b>n</b> 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) |
|-----------------------|--------------|-------------|
|                       |              |             |
|                       |              |             |
|                       |              |             |
|                       |              |             |

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ..... ☐ Yes ☐ No ☐ Not determined

## Part V Trust Information (optional)

|                         |                       |
|-------------------------|-----------------------|
| <b>6a</b> Name of trust | <b>6b</b> Trust's EIN |
|                         |                       |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>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).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection.</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

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

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

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

|                                                                                                                                                                                                                                                                    |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                              | <b>1</b> |
| <b>2</b> 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):<br><br>EIN(s): <u>04-6568107</u> |          |
| <b>Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.</b>                                                                                                                                                                                            |          |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                    | <b>3</b> |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (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) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                           |                              |                             |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....                                                                                                                                                                                                                                                       | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| <b>If the plan is a defined benefit plan, go to line 8.</b>                                                                                                                                                                                                                                                                                                               |                              |                             |                              |
| <b>5</b> 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. <b>Date:</b> Month _____ Day _____ Year _____<br><b>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.</b> |                              |                             |                              |
| <b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....                                                                                                                                                                                                                             | <b>6a</b>                    |                             |                              |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year.....                                                                                                                                                                                                                                                                                 | <b>6b</b>                    |                             |                              |
| <b>c</b> 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) .....                                                                                                                                                                                                                          | <b>6c</b>                    |                             |                              |
| <b>If you completed line 6c, skip lines 8 and 9.</b>                                                                                                                                                                                                                                                                                                                      |                              |                             |                              |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline?.....                                                                                                                                                                                                                                                                         | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| <b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....                                                                                                | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                            |                                   |                                   |                               |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| <b>9</b> 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. If no, check the "No" box..... | <input type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input type="checkbox"/> No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (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. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                             |                              |                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? .....                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</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.)..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                              | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**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 lines 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 lines 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 lines 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 lines 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 lines 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 lines 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:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 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:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

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

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

- 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 lines (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 line 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, 2013 and 2012  
With Report of Independent Auditors

Ernst & Young LLP



Zale Corporation Savings and Investment Plan  
Financial Statements and Supplemental Schedule  
Years Ended December 31, 2013 and 2012

**Contents**

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## Report of Independent Auditors

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

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the Zale Corporation Savings and Investment Plan, which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

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 certified investment information described in Note 4, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the entity that certified the investment information meets the requirements of 29 CFR 2520.103-8. The plan administrator has obtained certifications as of December 31, 2013 and 2012, and for the years then ended, stating that the investment information provided to the plan administrator is complete and accurate.

***Disclaimer of Opinion on Financial Statements***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

***Disclaimer of Opinion on Supplemental Schedule***

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2013, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedule referred to above.

**Report on Compliance of Form and Content with the Department of Labor's Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the certified investment information, 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.

*Ernst & Young LLP*

July 8, 2014

## Zale Corporation Savings and Investment Plan

### Statements of Net Assets Available for Benefits

|                                                                                                                           | <b>December 31,</b>          |                             |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
|                                                                                                                           | <b>2013</b>                  | <b>2012</b>                 |
| Assets:                                                                                                                   |                              |                             |
| Investments, at fair value                                                                                                | \$ 99,511,046                | \$ 86,886,314               |
| Notes receivable from participants                                                                                        | 3,278,174                    | 3,205,856                   |
| Total assets                                                                                                              | <u>102,789,220</u>           | <u>90,092,170</u>           |
| Liabilities:                                                                                                              |                              |                             |
| Excess contributions payable                                                                                              | —                            | 60,805                      |
| Net assets reflecting investments at fair value                                                                           | <u>102,789,220</u>           | <u>90,031,365</u>           |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts held in a collective trust | <u>(72,455)</u>              | <u>(171,564)</u>            |
| Net assets available for benefits                                                                                         | <u><u>\$ 102,716,765</u></u> | <u><u>\$ 89,859,801</u></u> |

*See accompanying notes to financial statements.*

## Zale Corporation Savings and Investment Plan

### Statements of Changes in Net Assets Available for Benefits

|                                                      | <b>Year Ended December 31,<br/>2013</b> | <b>2012</b>                 |
|------------------------------------------------------|-----------------------------------------|-----------------------------|
| Increase in net assets:                              |                                         |                             |
| Investment income:                                   |                                         |                             |
| Net appreciation in the fair value<br>of investments | <b>\$ 9,479,889</b>                     | \$ 7,575,849                |
| Interest and dividends                               | <b>3,964,842</b>                        | 2,237,488                   |
| Total investment income                              | <b>13,444,731</b>                       | 9,813,337                   |
| Contributions:                                       |                                         |                             |
| Participants                                         | <b>10,491,905</b>                       | 8,976,322                   |
| Rollovers                                            | <b>245,716</b>                          | 250,607                     |
| Total contributions                                  | <b>10,737,621</b>                       | 9,226,929                   |
| Total increase in net assets                         | <b>24,182,352</b>                       | 19,040,266                  |
| Decrease in net assets:                              |                                         |                             |
| Payments to participants and beneficiaries           | <b>11,219,693</b>                       | 11,441,267                  |
| Administrative expenses                              | <b>105,695</b>                          | 53,455                      |
| Total decrease in net assets                         | <b>11,325,388</b>                       | 11,494,722                  |
| Net increase in net assets available for benefits    | <b>12,856,964</b>                       | 7,545,544                   |
| Net assets available for benefits, beginning of year | <b>89,859,801</b>                       | 82,314,257                  |
| Net assets available for benefits, end of year       | <b><u>\$ 102,716,765</u></b>            | <b><u>\$ 89,859,801</u></b> |

*See accompanying notes to financial statements.*

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements

December 31, 2013

### **1. Description of Plan**

The following description of the Zale Corporation 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 covering substantially all employees of the Company who have completed one year of service (1,000 or more hours) and are age 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. 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 Workplace Services LLC serves as the recordkeeper for the Plan. The Committee engaged the firm of RBC Wealth Management as investment advisor.

#### **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 \$17,500 as permitted by the Code. Prior to January 1, 2013, the deferral for automatically enrolled participants was set at a pre-tax contribution of 4% of eligible compensation with 1% automatic annual increase up to a maximum deferral of 6% unless changed by the participant. Effective January 1, 2013, the deferral for automatically

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements (continued)

### **1. Description of Plan (continued)**

enrolled participants was set at a pre-tax contribution of 5% of eligible compensation. The automatic annual increase feature has remained unchanged. 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.

#### **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 and will remain suspended until reinstated by the Committee. When applicable, the amount of the Company's matching contributions made with respect to each eligible 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 vested 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

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements (continued)

### 1. Description of Plan (continued)

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 1,000 or more 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 participants' 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, or 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. Effective January 1, 2012, if the participant's vested account balance is greater than \$1,000 but less than \$5,000, it will be automatically rolled over into an Individual Retirement Account established by the Plan sponsor in the participant's name unless otherwise directed by the participant.

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements (continued)

### **1. Description of Plan (continued)**

If the participant's vested account is at least \$5,000, 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 ½ 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.

### **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 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.

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement 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 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, 2013 or 2012. 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 Internal Revenue Service (“IRS”) are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the excess contributions as of December 31, 2012, to the applicable participants prior to March 15, 2013.

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Administrative 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.

##### **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 volatility 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 benefits.

##### **Subsequent Events**

Plan management has evaluated subsequent events through July 8, 2014, the date the accompanying financial statements were available for issuance.

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### 3. Fair Value Measurements

Accounting Standards Codification 820, *Fair Value Measurement*, 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, 2013 and 2012. 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, 2013:

| Investments                      | Assets at Fair Value |              |         | Total         |
|----------------------------------|----------------------|--------------|---------|---------------|
|                                  | Level 1              | Level 2      | Level 3 |               |
| Mutual funds:                    |                      |              |         |               |
| Domestic equity                  | \$ 10,182,971        | \$ —         | \$ —    | \$ 10,182,971 |
| Domestic fixed income            | 2,442,949            | —            | —       | 2,442,949     |
| International                    | 3,074,885            | —            | —       | 3,074,885     |
| Real estate                      | 946,012              | —            | —       | 946,012       |
| Multi-strategy                   | 76,737,615           | —            | —       | 76,737,615    |
| Total mutual funds               | 93,384,432           | —            | —       | 93,384,432    |
| Collective trust:                |                      |              |         |               |
| Stable value fund <sup>(1)</sup> | —                    | 4,806,890    | —       | 4,806,890     |
| Total collective trust           | —                    | 4,806,890    | —       | 4,806,890     |
| Participant brokerage accounts:  |                      |              |         |               |
| Common stocks                    | 719,680              | —            | —       | 719,680       |
| Mutual funds                     | 84,192               | —            | —       | 84,192        |
| Interest-bearing cash            | 515,852              | —            | —       | 515,852       |
| Total assets at fair value       | \$ 94,704,156        | \$ 4,806,890 | \$ —    | \$ 99,511,046 |

## 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, 2012:

| Investments                      | Assets at Fair Value |              |         |               |
|----------------------------------|----------------------|--------------|---------|---------------|
|                                  | Level 1              | Level 2      | Level 3 | Total         |
| Mutual funds:                    |                      |              |         |               |
| Domestic equity                  | \$ 6,368,414         | \$ —         | \$ —    | \$ 6,368,414  |
| Domestic fixed income            | 3,200,895            | —            | —       | 3,200,895     |
| International                    | 3,362,657            | —            | —       | 3,362,657     |
| Real estate                      | 1,386,545            | —            | —       | 1,386,545     |
| Multi-strategy                   | 65,496,111           | —            | —       | 65,496,111    |
| Total mutual funds               | 79,814,622           | —            | —       | 79,814,622    |
| Collective trust:                |                      |              |         |               |
| Stable value fund <sup>(1)</sup> | —                    | 5,995,126    | —       | 5,995,126     |
| Total collective trust           | —                    | 5,995,126    | —       | 5,995,126     |
| Participant brokerage accounts:  |                      |              |         |               |
| Common stocks                    | 482,922              | —            | —       | 482,922       |
| Mutual funds                     | 55,349               | —            | —       | 55,349        |
| Interest-bearing cash            | 538,295              | —            | —       | 538,295       |
| Total assets at fair value       | \$ 80,891,188        | \$ 5,995,126 | \$ —    | \$ 86,886,314 |

<sup>(1)</sup> 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, 2013 and 2012:

| <b>Investments</b>                  | <b>2013</b>         | <b>2012</b>  |
|-------------------------------------|---------------------|--------------|
| Fidelity Freedom Fund 2015          | <b>\$ 8,974,778</b> | \$ 8,245,107 |
| Fidelity Freedom Fund 2020          | <b>12,865,964</b>   | 12,244,038   |
| Fidelity Freedom Fund 2025          | <b>15,729,244</b>   | 13,167,809   |
| Fidelity Freedom Fund 2030          | <b>11,396,964</b>   | 9,243,146    |
| Fidelity Freedom Fund 2035          | <b>8,103,399</b>    | 6,292,634    |
| Fidelity Freedom Fund 2040          | <b>9,014,239</b>    | 6,916,480    |
| Fidelity Managed Income Portfolio * | <b>**</b>           | 5,995,126    |

\* Contract value was \$5,823,562 at December 31, 2012.

\*\* Investment was less than five percent of the Plan's net assets available for benefits as of December 31, 2013.

All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held, notes receivable from participants and the adjustment from fair value to contract value for fully benefit-responsive investment contracts held in a collective trust at December 31, 2013 and 2012, and net appreciation in fair value of investments, and interest and dividends for the years then ended, was obtained or derived from information provided to the Plan administrator and certified as complete and accurate by Fidelity, the trustee of the Plan.

The Plan's investments (including investments purchased, sold as well as held during the year) appreciated in fair value as follows:

|                                                   | <b>December 31,</b>        |                            |
|---------------------------------------------------|----------------------------|----------------------------|
|                                                   | <b>2013</b>                | <b>2012</b>                |
| Mutual funds                                      | <b>\$ 9,314,511</b>        | \$ 7,575,849               |
| Common stock                                      | <b>165,378</b>             | -                          |
| Net appreciation in the fair value of investments | <b><u>\$ 9,479,889</u></b> | <b><u>\$ 7,575,849</u></b> |

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### 5. Related-Party Transactions

During the years ended December 31, 2013 and 2012, 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 Fidelity. Such transactions are considered to be exempt party-in-interest transactions.

#### 6. 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:

|                                                                                                                                 | <b>December 31,</b>          |                                             |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------|
|                                                                                                                                 | <b>2013</b>                  | <b>2012</b>                                 |
| Net assets available for benefits per the financial statements                                                                  | <b>\$ 102,716,765</b>        | \$ 89,859,801                               |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts in a collective trust            | <b>72,455</b>                | 171,564                                     |
| Net assets available for benefits per the Form 5500                                                                             | <b><u>\$ 102,789,220</u></b> | <b><u>\$ 90,031,365</u></b>                 |
|                                                                                                                                 |                              | <b>Year Ended<br/>December 31,<br/>2013</b> |
| Net increase in net assets per the financial statements                                                                         |                              | \$ 12,856,964                               |
| Add: 2013 adjustment from contract value to fair value for fully benefit-responsive investment contracts in a collective trust  |                              | 72,455                                      |
| Less: 2012 adjustment from contract value to fair value for fully benefit-responsive investment contracts in a collective trust |                              | (171,564)                                   |
| Net income per the Form 5500                                                                                                    |                              | <b><u>\$ 12,757,855</u></b>                 |

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)

#### **7. Tax Status**

The Plan has received a determination letter from the IRS dated December 7, 2011, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to receiving the letter, 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, as amended, is being operated in compliance with the applicable requirements of the 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 IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2013 and 2012, there were 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 the Plan is no longer subject to income tax examinations for years prior to 2010.

#### **8. Merger Agreement**

On February 19, 2014, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Signet Jewelers Limited, a Bermuda corporation (“Signet”), and Carat Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Signet (“Merger Sub”). The Merger Agreement provides for the acquisition of the Company by Signet at a price of \$21 per share in cash. On May 29, 2014, the merger was consummated and Merger Sub was merged with and into the Company (the “Merger”) and became a wholly owned subsidiary of Signet. The merger may result in future changes to the Plan.

## Supplemental Schedule

# 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, 2013

| Identity of Issue                     | Shares    | Description of Investment                                                                                                 | Current Value         |
|---------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Mutual Funds</b>                   |           |                                                                                                                           |                       |
| American Beacon Large Cap Value Fund  | 58,712    | Domestic Large Cap Value                                                                                                  | \$ 1,687,976          |
| American Beacon Small Cap Value Fund  | 32,768    | Domestic Small Cap Value                                                                                                  | 866,720               |
| Aston Optimum Mid Cap Fund            | 41,465    | Domestic Mid Cap Value                                                                                                    | 1,823,230             |
| Columbia Acorn Fund                   | 55,081    | Domestic Mid Cap Growth                                                                                                   | 2,055,638             |
| Harbor Capital Appreciation Fund      | 39,828    | Domestic Large Cap Growth                                                                                                 | 2,220,400             |
| Harbor International Institution Fund | 12,386    | International Large Cap Blend                                                                                             | 879,554               |
| Lazard Emerging Markets Portfolio     | 117,586   | Diversified Emerging Markets                                                                                              | 2,195,331             |
| * Spartan US Equity Index Fund        | 23,347    | Domestic Large Cap Blend                                                                                                  | 1,529,007             |
| Vanguard REIT Index Fund              | 38,692    | Real Estate                                                                                                               | 946,012               |
| * Fidelity Freedom Income Fund        | 67,149    | Multi-Strategy Asset Allocation                                                                                           | 788,329               |
| * Fidelity Freedom Fund 2000          | 23,379    | Multi-Strategy Asset Allocation                                                                                           | 290,602               |
| * Fidelity Freedom Fund 2005          | 101,046   | Multi-Strategy Asset Allocation                                                                                           | 1,197,391             |
| * Fidelity Freedom Fund 2010          | 239,166   | Multi-Strategy Asset Allocation                                                                                           | 3,661,625             |
| * Fidelity Freedom Fund 2015          | 703,904   | Multi-Strategy Asset Allocation                                                                                           | 8,974,778             |
| * Fidelity Freedom Fund 2020          | 824,213   | Multi-Strategy Asset Allocation                                                                                           | 12,865,964            |
| * Fidelity Freedom Fund 2025          | 1,180,874 | Multi-Strategy Asset Allocation                                                                                           | 15,729,244            |
| * Fidelity Freedom Fund 2030          | 699,200   | Multi-Strategy Asset Allocation                                                                                           | 11,396,964            |
| * Fidelity Freedom Fund 2035          | 601,142   | Multi-Strategy Asset Allocation                                                                                           | 8,103,399             |
| * Fidelity Freedom Fund 2040          | 946,874   | Multi-Strategy Asset Allocation                                                                                           | 9,014,239             |
| * Fidelity Freedom Fund 2045          | 144,943   | Multi-Strategy Asset Allocation                                                                                           | 1,590,028             |
| * Fidelity Freedom Fund 2050          | 196,807   | Multi-Strategy Asset Allocation                                                                                           | 2,170,782             |
| * Fidelity Freedom Fund 2055          | 82,194    | Multi-Strategy Asset Allocation                                                                                           | 954,270               |
| PIMCO Total Return Fund               | 228,527   | Intermediate-Term Bond                                                                                                    | 2,442,949             |
| <b>Brokerage Account</b>              |           |                                                                                                                           |                       |
| * BrokerageLink                       |           | Stocks, Mutual Funds, Short-Term Investments, Interest-bearing Cash                                                       | 1,319,724             |
| <b>Collective Trust</b>               |           |                                                                                                                           |                       |
| * Fidelity Managed Income Portfolio   | 4,734,435 | Stable Value Fund                                                                                                         | 4,806,890             |
| * Participant Loans                   |           | Participants' Loans, interest rates ranging from 4.25% to 7.75% and maturity dates ranging from May 2014 to November 2032 | 3,278,174             |
| Total                                 |           |                                                                                                                           | <u>\$ 102,789,220</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.

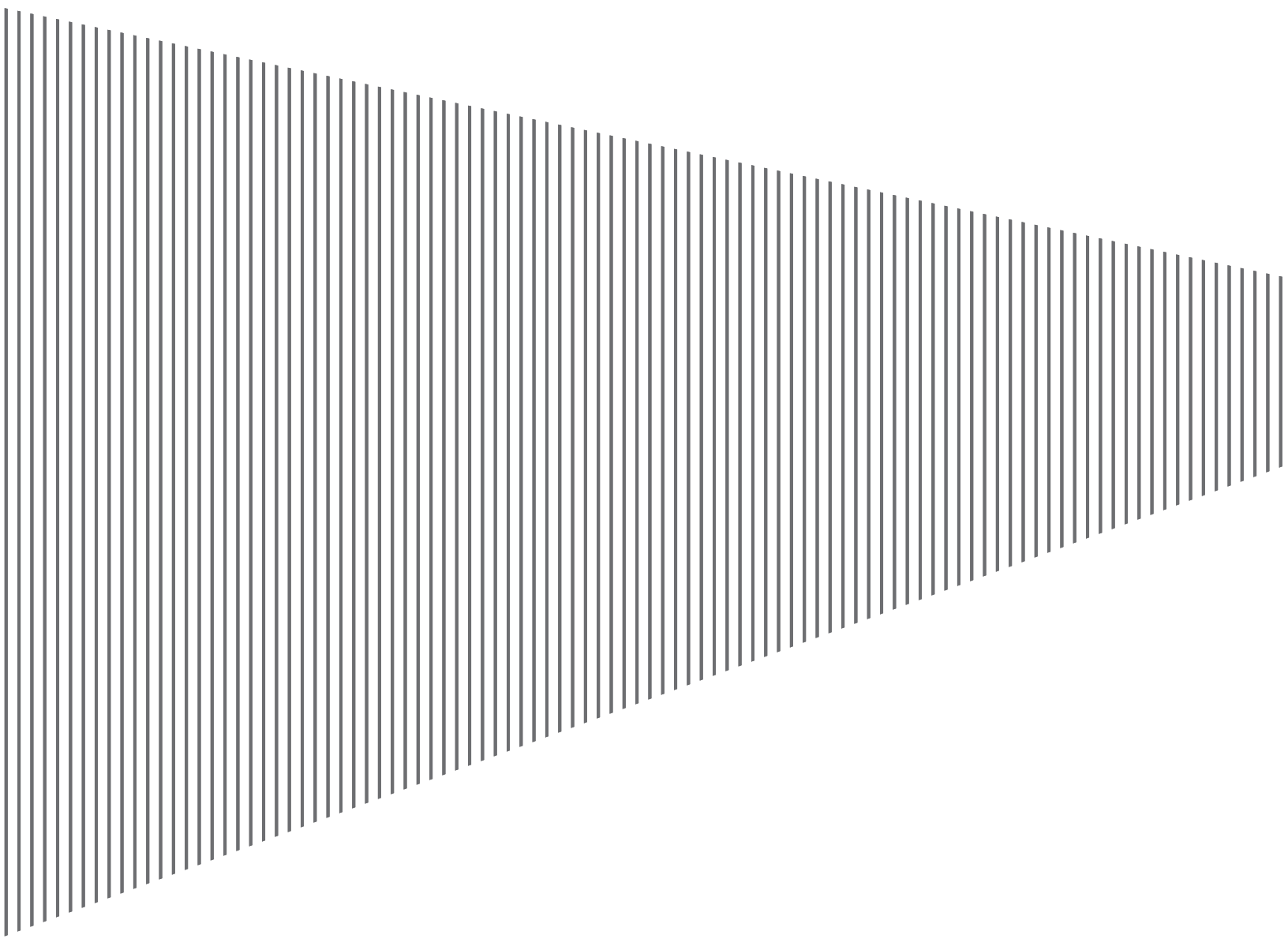
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FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE

Zale Corporation Savings and Investment Plan  
Years Ended December 31, 2013 and 2012  
With Report of Independent Auditors

Ernst & Young LLP



Building a better  
working world

Zale Corporation Savings and Investment Plan  
Financial Statements and Supplemental Schedule  
Years Ended December 31, 2013 and 2012

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## Report of Independent Auditors

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

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the Zale Corporation Savings and Investment Plan, which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

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 certified investment information described in Note 4, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the entity that certified the investment information meets the requirements of 29 CFR 2520.103-8. The plan administrator has obtained certifications as of December 31, 2013 and 2012, and for the years then ended, stating that the investment information provided to the plan administrator is complete and accurate.

***Disclaimer of Opinion on Financial Statements***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

***Disclaimer of Opinion on Supplemental Schedule***

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2013, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedule referred to above.

**Report on Compliance of Form and Content with the Department of Labor's Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the certified investment information, 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.

*Ernst & Young LLP*

July 8, 2014

## Zale Corporation Savings and Investment Plan

### Statements of Net Assets Available for Benefits

|                                                                                                                           | <b>December 31,</b>          |                             |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
|                                                                                                                           | <b>2013</b>                  | <b>2012</b>                 |
| Assets:                                                                                                                   |                              |                             |
| Investments, at fair value                                                                                                | \$ 99,511,046                | \$ 86,886,314               |
| Notes receivable from participants                                                                                        | 3,278,174                    | 3,205,856                   |
| Total assets                                                                                                              | <u>102,789,220</u>           | <u>90,092,170</u>           |
| Liabilities:                                                                                                              |                              |                             |
| Excess contributions payable                                                                                              | —                            | 60,805                      |
| Net assets reflecting investments at fair value                                                                           | <u>102,789,220</u>           | <u>90,031,365</u>           |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts held in a collective trust | <u>(72,455)</u>              | <u>(171,564)</u>            |
| Net assets available for benefits                                                                                         | <u><u>\$ 102,716,765</u></u> | <u><u>\$ 89,859,801</u></u> |

*See accompanying notes to financial statements.*

## Zale Corporation Savings and Investment Plan

### Statements of Changes in Net Assets Available for Benefits

|                                                      | <b>Year Ended December 31,<br/>2013</b> | <b>2012</b>                 |
|------------------------------------------------------|-----------------------------------------|-----------------------------|
| Increase in net assets:                              |                                         |                             |
| Investment income:                                   |                                         |                             |
| Net appreciation in the fair value<br>of investments | <b>\$ 9,479,889</b>                     | \$ 7,575,849                |
| Interest and dividends                               | <b>3,964,842</b>                        | 2,237,488                   |
| Total investment income                              | <b>13,444,731</b>                       | 9,813,337                   |
| Contributions:                                       |                                         |                             |
| Participants                                         | <b>10,491,905</b>                       | 8,976,322                   |
| Rollovers                                            | <b>245,716</b>                          | 250,607                     |
| Total contributions                                  | <b>10,737,621</b>                       | 9,226,929                   |
| Total increase in net assets                         | <b>24,182,352</b>                       | 19,040,266                  |
| Decrease in net assets:                              |                                         |                             |
| Payments to participants and beneficiaries           | <b>11,219,693</b>                       | 11,441,267                  |
| Administrative expenses                              | <b>105,695</b>                          | 53,455                      |
| Total decrease in net assets                         | <b>11,325,388</b>                       | 11,494,722                  |
| Net increase in net assets available for benefits    | <b>12,856,964</b>                       | 7,545,544                   |
| Net assets available for benefits, beginning of year | <b>89,859,801</b>                       | 82,314,257                  |
| Net assets available for benefits, end of year       | <b><u>\$ 102,716,765</u></b>            | <b><u>\$ 89,859,801</u></b> |

*See accompanying notes to financial statements.*

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements

December 31, 2013

### **1. Description of Plan**

The following description of the Zale Corporation 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 covering substantially all employees of the Company who have completed one year of service (1,000 or more hours) and are age 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. 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 Workplace Services LLC serves as the recordkeeper for the Plan. The Committee engaged the firm of RBC Wealth Management as investment advisor.

#### **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 \$17,500 as permitted by the Code. Prior to January 1, 2013, the deferral for automatically enrolled participants was set at a pre-tax contribution of 4% of eligible compensation with 1% automatic annual increase up to a maximum deferral of 6% unless changed by the participant. Effective January 1, 2013, the deferral for automatically

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements (continued)

### **1. Description of Plan (continued)**

enrolled participants was set at a pre-tax contribution of 5% of eligible compensation. The automatic annual increase feature has remained unchanged. 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.

#### **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 and will remain suspended until reinstated by the Committee. When applicable, the amount of the Company's matching contributions made with respect to each eligible 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 vested 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

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements (continued)

### 1. Description of Plan (continued)

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 1,000 or more 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 participants' 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, or 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. Effective January 1, 2012, if the participant's vested account balance is greater than \$1,000 but less than \$5,000, it will be automatically rolled over into an Individual Retirement Account established by the Plan sponsor in the participant's name unless otherwise directed by the participant.

# Zale Corporation Savings and Investment Plan

## Notes to Financial Statements (continued)

### **1. Description of Plan (continued)**

If the participant's vested account is at least \$5,000, 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 ½ 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.

### **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 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.

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement 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 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, 2013 or 2012. 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 Internal Revenue Service (“IRS”) are recorded as a liability with a corresponding reduction to contributions. The Plan distributed the excess contributions as of December 31, 2012, to the applicable participants prior to March 15, 2013.

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Administrative 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.

##### **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 volatility 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 benefits.

##### **Subsequent Events**

Plan management has evaluated subsequent events through July 8, 2014, the date the accompanying financial statements were available for issuance.

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### 3. Fair Value Measurements

Accounting Standards Codification 820, *Fair Value Measurement*, 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, 2013 and 2012. 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, 2013:

| Investments                      | Assets at Fair Value |              |         | Total         |
|----------------------------------|----------------------|--------------|---------|---------------|
|                                  | Level 1              | Level 2      | Level 3 |               |
| Mutual funds:                    |                      |              |         |               |
| Domestic equity                  | \$ 10,182,971        | \$ —         | \$ —    | \$ 10,182,971 |
| Domestic fixed income            | 2,442,949            | —            | —       | 2,442,949     |
| International                    | 3,074,885            | —            | —       | 3,074,885     |
| Real estate                      | 946,012              | —            | —       | 946,012       |
| Multi-strategy                   | 76,737,615           | —            | —       | 76,737,615    |
| Total mutual funds               | 93,384,432           | —            | —       | 93,384,432    |
| Collective trust:                |                      |              |         |               |
| Stable value fund <sup>(1)</sup> | —                    | 4,806,890    | —       | 4,806,890     |
| Total collective trust           | —                    | 4,806,890    | —       | 4,806,890     |
| Participant brokerage accounts:  |                      |              |         |               |
| Common stocks                    | 719,680              | —            | —       | 719,680       |
| Mutual funds                     | 84,192               | —            | —       | 84,192        |
| Interest-bearing cash            | 515,852              | —            | —       | 515,852       |
| Total assets at fair value       | \$ 94,704,156        | \$ 4,806,890 | \$ —    | \$ 99,511,046 |

## 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, 2012:

| Investments                      | Assets at Fair Value |              |         |               |
|----------------------------------|----------------------|--------------|---------|---------------|
|                                  | Level 1              | Level 2      | Level 3 | Total         |
| Mutual funds:                    |                      |              |         |               |
| Domestic equity                  | \$ 6,368,414         | \$ —         | \$ —    | \$ 6,368,414  |
| Domestic fixed income            | 3,200,895            | —            | —       | 3,200,895     |
| International                    | 3,362,657            | —            | —       | 3,362,657     |
| Real estate                      | 1,386,545            | —            | —       | 1,386,545     |
| Multi-strategy                   | 65,496,111           | —            | —       | 65,496,111    |
| Total mutual funds               | 79,814,622           | —            | —       | 79,814,622    |
| Collective trust:                |                      |              |         |               |
| Stable value fund <sup>(1)</sup> | —                    | 5,995,126    | —       | 5,995,126     |
| Total collective trust           | —                    | 5,995,126    | —       | 5,995,126     |
| Participant brokerage accounts:  |                      |              |         |               |
| Common stocks                    | 482,922              | —            | —       | 482,922       |
| Mutual funds                     | 55,349               | —            | —       | 55,349        |
| Interest-bearing cash            | 538,295              | —            | —       | 538,295       |
| Total assets at fair value       | \$ 80,891,188        | \$ 5,995,126 | \$ —    | \$ 86,886,314 |

<sup>(1)</sup> 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, 2013 and 2012:

| <b>Investments</b>                  | <b>2013</b>         | <b>2012</b>  |
|-------------------------------------|---------------------|--------------|
| Fidelity Freedom Fund 2015          | <b>\$ 8,974,778</b> | \$ 8,245,107 |
| Fidelity Freedom Fund 2020          | <b>12,865,964</b>   | 12,244,038   |
| Fidelity Freedom Fund 2025          | <b>15,729,244</b>   | 13,167,809   |
| Fidelity Freedom Fund 2030          | <b>11,396,964</b>   | 9,243,146    |
| Fidelity Freedom Fund 2035          | <b>8,103,399</b>    | 6,292,634    |
| Fidelity Freedom Fund 2040          | <b>9,014,239</b>    | 6,916,480    |
| Fidelity Managed Income Portfolio * | <b>**</b>           | 5,995,126    |

\* Contract value was \$5,823,562 at December 31, 2012.

\*\* Investment was less than five percent of the Plan's net assets available for benefits as of December 31, 2013.

All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held, notes receivable from participants and the adjustment from fair value to contract value for fully benefit-responsive investment contracts held in a collective trust at December 31, 2013 and 2012, and net appreciation in fair value of investments, and interest and dividends for the years then ended, was obtained or derived from information provided to the Plan administrator and certified as complete and accurate by Fidelity, the trustee of the Plan.

The Plan's investments (including investments purchased, sold as well as held during the year) appreciated in fair value as follows:

|                                                   | <b>December 31,</b>        |                            |
|---------------------------------------------------|----------------------------|----------------------------|
|                                                   | <b>2013</b>                | <b>2012</b>                |
| Mutual funds                                      | <b>\$ 9,314,511</b>        | \$ 7,575,849               |
| Common stock                                      | <b>165,378</b>             | -                          |
| Net appreciation in the fair value of investments | <b><u>\$ 9,479,889</u></b> | <b><u>\$ 7,575,849</u></b> |

## Zale Corporation Savings and Investment Plan

### Notes to Financial Statements (continued)

#### 5. Related-Party Transactions

During the years ended December 31, 2013 and 2012, 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 Fidelity. Such transactions are considered to be exempt party-in-interest transactions.

#### 6. 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:

|                                                                                                                                 | <b>December 31,</b>          |                                             |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------|
|                                                                                                                                 | <b>2013</b>                  | <b>2012</b>                                 |
| Net assets available for benefits per the financial statements                                                                  | <b>\$ 102,716,765</b>        | \$ 89,859,801                               |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts in a collective trust            | <b>72,455</b>                | 171,564                                     |
| Net assets available for benefits per the Form 5500                                                                             | <b><u>\$ 102,789,220</u></b> | <b><u>\$ 90,031,365</u></b>                 |
|                                                                                                                                 |                              | <b>Year Ended<br/>December 31,<br/>2013</b> |
| Net increase in net assets per the financial statements                                                                         |                              | \$ 12,856,964                               |
| Add: 2013 adjustment from contract value to fair value for fully benefit-responsive investment contracts in a collective trust  |                              | 72,455                                      |
| Less: 2012 adjustment from contract value to fair value for fully benefit-responsive investment contracts in a collective trust |                              | (171,564)                                   |
| Net income per the Form 5500                                                                                                    |                              | <b><u>\$ 12,757,855</u></b>                 |

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)

#### **7. Tax Status**

The Plan has received a determination letter from the IRS dated December 7, 2011, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to receiving the letter, 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, as amended, is being operated in compliance with the applicable requirements of the 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 IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2013 and 2012, there were 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 the Plan is no longer subject to income tax examinations for years prior to 2010.

#### **8. Merger Agreement**

On February 19, 2014, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Signet Jewelers Limited, a Bermuda corporation (“Signet”), and Carat Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Signet (“Merger Sub”). The Merger Agreement provides for the acquisition of the Company by Signet at a price of \$21 per share in cash. On May 29, 2014, the merger was consummated and Merger Sub was merged with and into the Company (the “Merger”) and became a wholly owned subsidiary of Signet. The merger may result in future changes to the Plan.

## Supplemental Schedule

# 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, 2013

| Identity of Issue                     | Shares    | Description of Investment                                                                                                 | Current Value         |
|---------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Mutual Funds</b>                   |           |                                                                                                                           |                       |
| American Beacon Large Cap Value Fund  | 58,712    | Domestic Large Cap Value                                                                                                  | \$ 1,687,976          |
| American Beacon Small Cap Value Fund  | 32,768    | Domestic Small Cap Value                                                                                                  | 866,720               |
| Aston Optimum Mid Cap Fund            | 41,465    | Domestic Mid Cap Value                                                                                                    | 1,823,230             |
| Columbia Acorn Fund                   | 55,081    | Domestic Mid Cap Growth                                                                                                   | 2,055,638             |
| Harbor Capital Appreciation Fund      | 39,828    | Domestic Large Cap Growth                                                                                                 | 2,220,400             |
| Harbor International Institution Fund | 12,386    | International Large Cap Blend                                                                                             | 879,554               |
| Lazard Emerging Markets Portfolio     | 117,586   | Diversified Emerging Markets                                                                                              | 2,195,331             |
| * Spartan US Equity Index Fund        | 23,347    | Domestic Large Cap Blend                                                                                                  | 1,529,007             |
| Vanguard REIT Index Fund              | 38,692    | Real Estate                                                                                                               | 946,012               |
| * Fidelity Freedom Income Fund        | 67,149    | Multi-Strategy Asset Allocation                                                                                           | 788,329               |
| * Fidelity Freedom Fund 2000          | 23,379    | Multi-Strategy Asset Allocation                                                                                           | 290,602               |
| * Fidelity Freedom Fund 2005          | 101,046   | Multi-Strategy Asset Allocation                                                                                           | 1,197,391             |
| * Fidelity Freedom Fund 2010          | 239,166   | Multi-Strategy Asset Allocation                                                                                           | 3,661,625             |
| * Fidelity Freedom Fund 2015          | 703,904   | Multi-Strategy Asset Allocation                                                                                           | 8,974,778             |
| * Fidelity Freedom Fund 2020          | 824,213   | Multi-Strategy Asset Allocation                                                                                           | 12,865,964            |
| * Fidelity Freedom Fund 2025          | 1,180,874 | Multi-Strategy Asset Allocation                                                                                           | 15,729,244            |
| * Fidelity Freedom Fund 2030          | 699,200   | Multi-Strategy Asset Allocation                                                                                           | 11,396,964            |
| * Fidelity Freedom Fund 2035          | 601,142   | Multi-Strategy Asset Allocation                                                                                           | 8,103,399             |
| * Fidelity Freedom Fund 2040          | 946,874   | Multi-Strategy Asset Allocation                                                                                           | 9,014,239             |
| * Fidelity Freedom Fund 2045          | 144,943   | Multi-Strategy Asset Allocation                                                                                           | 1,590,028             |
| * Fidelity Freedom Fund 2050          | 196,807   | Multi-Strategy Asset Allocation                                                                                           | 2,170,782             |
| * Fidelity Freedom Fund 2055          | 82,194    | Multi-Strategy Asset Allocation                                                                                           | 954,270               |
| PIMCO Total Return Fund               | 228,527   | Intermediate-Term Bond                                                                                                    | 2,442,949             |
| <b>Brokerage Account</b>              |           |                                                                                                                           |                       |
| * BrokerageLink                       |           | Stocks, Mutual Funds, Short-Term Investments, Interest-bearing Cash                                                       | 1,319,724             |
| <b>Collective Trust</b>               |           |                                                                                                                           |                       |
| * Fidelity Managed Income Portfolio   | 4,734,435 | Stable Value Fund                                                                                                         | 4,806,890             |
| * Participant Loans                   |           | Participants' Loans, interest rates ranging from 4.25% to 7.75% and maturity dates ranging from May 2014 to November 2032 | 3,278,174             |
| Total                                 |           |                                                                                                                           | <u>\$ 102,789,220</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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