
Zale Faces SEC Inquiry over Severance Payout

Dallas (April 12, 2006) - The country's largest jewelry retailer, Zale Corp., announced that its accounting, executive pay and severance agreements are under official investigation by the Securities and Exchange Commission.

It was just last week that Zale said that it was the subject of an informal probe. Since the status change, the commission has already issued subpoenas to current and former executives, as well as the company's auditor, KPMG.

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Specifically, Dallas-based Zale said that the SEC is looking for extended service agreements and lease agreements, improper payments to vendors, earnings guidance and some stock trades.

Former Zale chief executive Mary Forte resigned early this year, taking with her a \$3.6-million severance package -- twice her annual salary plus her bonus -- that was part of a new contract she signed in the fall of 2005. When Zale's board of directors offered her the new contract, the company was coming off its worst performance in three years.

The company said that Forte stepped down by mutual agreement after the disappointing earnings. In March, chief operating officer Sue Gove also stepped down.

Zale said that it believes it has complied with generally accepted accounting principles and is cooperating with the SEC. Zale has about 2,300 stores, mostly located in U.S. malls. The retailer's brands include Gordon's Jewelers, Bailey Banks & Biddle, Peoples Jewellers, Mappins Jewellers and Piercing Pagoda.

— WebCPA staff

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