



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

**Conditional Approval #292
December 1998**

March 20, 1998

Mr. James A. Marcum
Executive Vice President/Chief Financial Officer
Stage Stores, Inc.
10201 Main Street
Houston, Texas 77025

Re: Application by Stage Stores, Inc. ("SSI"), to charter a national CEBA credit card bank with the title of "Granite National Bank" Bowling Green, Ohio
Application Control Numbers: 97-CE-01-0032, 98-CE-12-0037

Dear Mr. Marcum:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national CEBA credit card bank with the title of "Granite National Bank" ("Bank") to be located in Bowling Green, Ohio. On March 19, 1998, after a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

This approval is granted based on a thorough review of all information available, including the representations and commitments made in the application and by the proposed bank's representatives. We also made our decision to grant preliminary conditional approval with the understanding that the proposed national bank will apply for membership in the Federal Reserve System.

The OCC also granted your request for a waiver of the residency requirements of 12 U.S.C. §72 for a majority of the board of directors. This waiver is granted based upon a review of all available information, including the filing, subsequent correspondence and telephone conversations, and the bank's representations that this waiver will not affect the Board's responsibility to direct the bank's operations in a safe, sound and legal manner. Please understand that the OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

Your recent request that the proposed bank be designated a limited purpose institution for the purposes of the Community Reinvestment Act ("CRA") was approved March 20, 1998. We

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have enclosed the approval letter from the Community and Consumer Policy Division ("CCP"). You are now eligible to be evaluated under the community development test criterion for CRA purposes. Please contact the Central District Office or CCP for assistance in ensuring that your CRA activities are appropriately focused.

The proposed Bank must take steps to ensure that internal systems will be Year 2000 compliant and the proposed Bank must perform due diligence to ensure that any third-party data processing servicers or purchased applications or systems from software vendors will also be Year 2000 compliant. In addition, each vendor is to certify its Year 2000 compliance through covenants in the vendor contract.

The operating plan will provide the context for the supervisory review at the pre-opening examination. Major deviations from the plan or changes in the composition of the board of directors, ownership, or chief executive officer that the OCC has not approved may result in withdrawal of preliminary conditional approval. Please note that all relevant financial documents should reflect the Bank as a stand alone entity.

Approval of the charter is subject to the following conditions:

1. The Bank must obtain the prior approval of the Federal Deposit Insurance Corporation (FDIC) to become an "insured depository institution" within the meaning of 12 U.S.C. §1813(c)(2).
2. The Bank will maintain status as an "insured depository institution" within the meaning of 12 U.S.C. §1813(c)(2).
3. At the earliest practicable time, the Bank will provide notice to the OCC of any action initiated or taken by the FDIC that is directed toward termination of the Bank's status as an insured depository institution.
4. In the event the FDIC initiates or takes any action to terminate the Bank's status as an "insured depository institution," the Bank must request and obtain the prior approval of the OCC before continuing operation as a non-FDIC insured national bank. In determining whether to approve the continued operation by the Bank as an uninsured national bank, the OCC may impose additional conditions upon the Bank. Such conditions shall be regarded as "conditions imposed in writing by the agency in connection with the granting of any application or other request by the depository institution" within the meaning of 12 U.S.C. §1818.
5. The limitations of the Bank's activities must be enumerated fully in its Articles of Association. Specifically, the articles must state:

- The business of the association will be limited to that of a national credit card bank, as specified in the Competitive Equality Banking Act (CEBA) of 1987, and
 - The Bank must obtain the prior written approval of the OCC before amending its Articles of Association to expand the scope of its activities and services.
6. The Bank must maintain on file on its premises current financial information on the Stage Stores, Inc., i.e., audited annual financial reports, quarterly financial statements, 10-K and 10-Q reports, 8-K reports as appropriate, and any other publicly available financial data required to be prepared by Stage Stores, Inc., to keep members apprised of their financial condition. The financial information must be provided to the Bank's supervisory office once it becomes available.

It is to be expressly understood that the OCC's authority to impose conditions under # 4 above, is in addition to, and not in substitution of, any other authority the OCC presently possesses -- or may come to possess -- for uninsured national banks.

Please be advised that the above conditions shall be deemed to be conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. §1818.

The Bank may offer credit life, health, and accident insurance in accordance with 12 CFR 2.

In addition, our approval is based on the following representation made by the applicant in connection with its application to charter the Bank:

Any services performed by affiliates for the Bank and payments to said affiliates by the Bank will be rendered pursuant to contracts which comply with federal laws and regulations, reflect safe and sound practices, and are at costs similar to what the Bank would pay an independent third party for the same services. The contracts are to be submitted to the Central District Office for review at or before you establish corporate existence.

The OCC has no objection to the following persons serving as executive officers as proposed in the application: James A. Marcum as Chairman of the Board and Chief Executive Officer; David A. Herman as President and Chief Operating Officer; and, Charles M. Sledge as Executive Vice President, Chief Financial Officer, and Secretary. Additional executive officers are subject to the OCC's prior review and clearance. Additionally, the OCC does not object to Carl E. Tooker, John P. Fitzgerald, Hal Compton, and Robert Huth, to serve as directors of the Bank.

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Also, please note that the OCC requires the Bank to obtain prior approval of additions or changes in officers and directors for two years after the Bank opens for business.

The organizers may now establish the corporate existence of the Bank and forward the Articles of Association and Organization Certificate to the Central District Office within 30 days. As a legal entity, you may begin to take those steps necessary for obtaining final approval, but you may not begin the business of banking until you fulfill all requirements for a bank in organization and final approval is granted (See Corporate Organizational Booklet enclosed).

Enclosed are procedural requirements that must be met before the Bank will be allowed to commence business. Please note that some of the requirements referenced in the enclosed package may not be applicable since the Bank's activities will be limited to those of a national CEBA credit card bank. Management must ensure that the applicable policies and procedures are established and adopted by the Board of Directors before the Bank commences business.

We require that, prior to opening, the Bank engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the Bank. The audit period shall commence on the date that the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the Bank opens. We expect that such audits will be performed on an annual basis for at least five years following commencement of operations. Engagement of an auditor will be verified during the pre-opening examination.

The OCC will send to you under a separate cover an appropriate set of OCC handbooks, manuals, issuances, and selected other publications.

You should direct any questions concerning this preliminary conditional approval to Dave Rogers, Licensing Manager, in the Central District Office at (312) 360-8850 or me at (202) 874-5060.

Sincerely,

/s/

Alan Herlands
Director, Washington-Directed Licensing
Bank Organization and Structure
Enclosures: Corporate Organizational Booklet
Minimum Policies and Procedures
Procedural Requirements
Limited Purpose Bank Designation