



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Conditional Approval #682
May 2005

April 06, 2005

*Via Facsimile and
U. S. Mail*

Board of Directors
Direct Merchants Credit Card Bank, N.A.
Kierland I
16430 North Scottsdale Road
Phoenix, Arizona 85254-1518

Re: Direct Merchants Credit Card Bank, National Association
Request for Reduction of Permanent Capital
Application Control Number: 2004-WE-12- 0161

Dear Members of the Board:

The Comptroller of the Currency (OCC) has approved a request from Direct Merchants Credit Card Bank, N.A. ("Bank") for a reduction in the Bank's permanent capital of \$130 million, as outlined the Bank's application letter dated May 3, 2004, and as amended in a letter dated March 24, 2005. OCC's approval is subject to the following conditions:

- (1) Payment of a dividend in the amount of \$60 million from the Bank to Metris Direct, Inc. ("MDI" – Bank Parent) may occur only after the Special Supervision Division of the OCC ("SPSU") has received written confirmation that Metris Companies, Inc. ("MCI") has purchased the Bank's receivables of approximately \$60 million.
- (2) Payment of a dividend in the amount of \$70 million from the Bank to MDI may occur only after SPSU has received written confirmation that MCI has reduced its high cost debt by the amount of the previous Bank dividend of \$60 million.
- (3) Bank shall provide a written confirmation to SPSU that MCI has further reduced its high cost debt in the amount of \$70 million.

Please be advised that the condition of this approval is a condition "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 and, as such, is enforceable under 12 U.S.C. § 1818.

Moreover, in reference to the amendments the Bank requested to Article V of the Modified Operating Agreement dated December 11, 2003 ("Agreement"), SPSU determined to amend the

Agreement to require a minimum Tier 1 capital of \$100 million, and the Capital and Liquidity Maintenance Agreement will remain in effect. SPSU will provide an amendment for your documentation.

Pursuant to 12 U.S.C. § 59, a reduction in capital stock requires approval by shareholders owning at least two-thirds of the Bank's capital stock and, if necessary, amendments to the Articles of Association. Also following the completion of each step of the transaction, the Bank must advise SPSU of the effective date of the transactions, consistent with the aforementioned conditions.

This approval is granted based on a through review of all information available, including the representations and commitments made in the application and by the Bank's representatives. The change in capital should be completed within one year of the date of this letter.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States (U.S.), any agency or entity of the U. S., or any officer or employee of the U. S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U. S.

Please include the application control number on any correspondence related to this filing.

If you have questions, contact me at (202) 874-5060 or contact Louis Gittleman of the Western District Office Licensing Department at (720) 475-7650. You may also contact National Bank Examiner Cindy Hubbard, SPSU at 202-874-8038.

Sincerely,

signed

Alfred A. Phillips
National Bank Examiner
Senior Licensing Analyst

cc: Jennifer M. Ogren
Senior Vice President, General Counsel
Metris Companies, Inc.
Minnetonka, MN