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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**Conditional Approval #251  
August 1997**

August 4, 1997

Mr. Louis J. Grabowsky  
Executive Vice President of Finance and  
Chief Executive Officer  
Zale Corporation  
P.O. Box 152777  
Irving, Texas 75015-2777

Re: Application by Zale Delaware, Inc. ("ZDEL"), to charter a national CEBA credit card bank with the title "Jewelers National Bank," Tempe, Arizona  
Application Control Number: 97-WE-01-0002

Dear Mr. Grabowsky:

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, Jewelers National Bank ("Bank"). On August 4, 1997, 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 approval with the understanding that the proposed national bank will apply for membership in the Federal Reserve System.

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.

The OCC will notify you by letter regarding the disposition of your request to be designated a limited purpose bank for Community Reinvestment Act purposes.

This approval 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 Zale Corporation and ZDEL, 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 the company to keep investors apprised of their financial condition. The financial information must be provided to the Bank's supervisory office once it becomes available.

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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 C.F.R. 2.

In addition, our approval is based on the following representations 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 law and regulation, 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 Western District Office for review at or before you establish corporate existence.

You may now establish the corporate existence of the Bank and forward the Articles of Association and Organization Certificate to the Western District Office. 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.

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The OCC has no objection to the following persons serving as executive officers as proposed in the application: Louis J. Grabowsky as Chairman of the Board and Chief Executive Officer; Gary Melton as President, Chief Operating Officer and Director; William Culbertson as Vice-President, Senior Credit Officer and Director; Sue Grove as Vice President, Cashier and Director; and Alan P. Shor as General Counsel and Director. Additional executive officers are subject to the OCC's prior review and clearance. Also please note that the OCC requires the Bank to obtain prior approval of additions or changes in executive officers and directors for two years after the Bank opens for business.

The OCC also granted your waiver request of the residency requirements of 12 U.S.C. §72 for the majority of the board of directors of Jewelers National Bank. 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.

The Articles of Association and Organization Certificate should be forwarded to the OCC within thirty days. 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 James Bundy, Licensing Manager, in the Western District Office at (415) 545-5984 or me at (202) 874-5060.

Sincerely,

/s/

Troy L. Dixon  
Director for Corporate Activity  
Bank Organization and Structure

Enclosures: Corporate Organizational Booklet  
Minimum Policies and Procedures  
Procedural Requirements