

UNITED STATES OF AMERICA
 BEFORE
 THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
 WASHINGTON, D.C.

Written Agreement by and among)	
)	
UNITED NATIONAL CORPORATION)	Docket Nos. 03-001-WA/RB-HC
Sioux Falls, South Dakota)	03-001-WA/RB-SM
)	03-001-WA/RB -HCS
FIRST PREMIER BANK)	
Sioux Falls, South Dakota)	
)	
PREMIER BANKCARD, INC.)	
Sioux Falls, South Dakota)	
)	
and)	
)	
FEDERAL RESERVE BANK)	
OF MINNEAPOLIS)	
Minneapolis, Minnesota)	

WHEREAS, United National Corporation, Sioux Falls, South Dakota (“United”), a registered bank holding company; United’s bank subsidiary, First PREMIER Bank, Sioux Falls, South Dakota (the “Bank”), a state chartered bank that is a member of the Federal Reserve System; and United’s nonbank subsidiary, PREMIER Bankcard, Inc., Sioux Falls, South Dakota (“PBI”), a South Dakota corporation, have agreed to continue to cooperate fully with the Federal Reserve Bank of Minneapolis (the “Reserve Bank”) with regard to United’s credit card operations; and

WHEREAS, on September 18, 2003, the boards of directors of United, the Bank, and PBI, at duly constituted meetings, adopted resolutions authorizing and directing T. Denny Sanford, Dana J. Dykhouse, and Miles K. Beacom to enter into this Written Agreement (the

“Agreement”) on behalf of United, the Bank, and PBI, and consenting to compliance by United, the Bank, and PBI and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. 1813(u) and 1818(b)(3)), with each and every applicable provision of this Agreement.

NOW, THEREFORE, United, the Bank, and the Reserve Bank hereby agree as follows:

New Accounts and Portfolio Growth

1. (a) As of the date of this Agreement, the Bank and United shall not, without the prior written approval of the Reserve Bank, take any action that would result in an increase in the asset size of the Bank’s or United’s managed subprime credit card portfolio above the balance as of the close of business on January 9, 2003. For purposes of this Agreement, “subprime” is defined as any loan to a borrower having a Fair, Isaac & Company score (“FICO score”) of less than 660 that is not fully secured by that borrower’s deposits at the Bank.

(b) The restrictions of paragraph 1(a) of this Agreement shall not be lifted unless and until the Bank submits to the Reserve Bank a written plan to manage the growth in the Bank’s and United’s subprime credit card portfolio and is notified in writing by the Reserve Bank that the plan is acceptable. The plan shall, at a minimum:

(i) Segment the credit card portfolio by credit score, age of account, marketing initiatives, and other appropriate risk criteria;

(ii) establish appropriate targets for the volume and proportion of receivables in each credit card portfolio segment;

(iii) limit new account and credit line increases for each credit card portfolio segment; and

(iv) preclude increasing the Bank's and United's average managed credit card loans, as defined in the Instructions for the Preparation of Reports of Condition and Income and Instructions for the Preparation of FR-Y9C, at eight percent growth year-to-year, until acceptable capital plans and methodologies for calculating the allowance for loan and lease losses ("ALLL") and earned fee reserve ("EFR") have been adopted, as required by paragraphs 3, 4, and 6 of this Agreement.

Contingency Plan

2. Within 60 days of this Agreement, the Bank and United shall submit to the Reserve Bank an acceptable joint written plan to sell or liquidate the Bank's and United's subprime credit card portfolio in the event that the Bank and United fail to fully comply, within the applicable timeframes, with the provisions of this Agreement relating to growth, capital, reserves, funding, and affiliate transactions (paragraphs 1, 3, 4, 5, 6, 7, 8, 9, 13, and 18). The contingency plan shall include specific target dates for the completion of the sale or liquidation of the subprime credit card portfolio in a manner that will result in no loss or cost to the Bank Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC").

Capital and Strategic Plan

3. Within 30 days of this Agreement, United, the Bank, and PBI shall submit to the Reserve Bank an acceptable joint written near-term capital plan that will, at a minimum, ensure that United, on a consolidated basis, and the Bank, as a separate legal entity on a stand-alone basis, each maintain acceptable leverage, tier one, and total risk-based capital ratios. The near-term capital plan must, at a minimum, address, consider, and include:

(a) All applicable guidance and regulations issued by the Board of Governors and the FDIC, including guidance related to subprime lending, credit card account management

practices, and securitizations, including retained interests, recourse, and the accrued interest receivable related to assets sold through securitization. (For purposes of this Agreement, subprime loans not fully secured in the Bank, PBI, or securitization trusts referenced in paragraph 3(b) of this Agreement shall be risk-weighted at 300 percent in calculating the risk-based capital levels of the Bank and United, unless a different risk weighting is agreed to in writing by the Reserve Bank);

(b) capital to support receivables sold and securitized with agreements containing covenants with triggers for early amortization or events of default that relate directly or indirectly to supervisory matters such as, but not limited to, those referenced in interagency guidance, issued May 23, 2002, by the federal banking agencies and referenced in the Board of Governors's SR Letter 02-14;

(c) growth targets;

(d) the volume of volatile funds placed with the Bank;

(e) risk management measures that incorporate a roll rate analysis calculated solely on the portfolio of credit card receivables owned by the Bank;

(f) the level of support to investors provided by shared transferor principal collections in any securitization structure;

(g) limiting the risks to the Bank Insurance Fund of the FDIC arising from the credit card receivables; and

(h) the source and timing of additional funds to fulfill the capital, ALLL, and EFR requirements of the consolidated organization.

4. Within 120 days of this Agreement, United, the Bank, and PBI shall submit to the Reserve Bank acceptable joint written three-year strategic business and capital plans for United,

on a consolidated basis, and the Bank. The three-year strategic and capital plans shall incorporate the near-term capital plan required by paragraph 3 of this Agreement, and shall also, at a minimum, address, consider, and include:

- (a) Diversifying the earnings of, and risk to, United and the Bank; and
- (b) capital ratios for United, on a consolidated basis, and the Bank after giving effect to all applicable guidance and regulations issued by the Board of Governors and other requirements and considerations as referenced and set forth in paragraph 3 of this Agreement.

5. Notwithstanding any other provision of this Agreement, the Bank and United shall each on a consolidated basis maintain a total risk-based capital ratio of at least 12 percent, weighting subprime assets in accordance with paragraph 3(a) of this Agreement.

Allowance for Loan and Lease Losses and Earned Fee Reserve

- 6. (a) The Bank shall maintain an adequate ALLL and EFR.
- (b) Within 60 days of this Agreement, United, the Bank, and PBI shall submit to the Reserve Bank acceptable joint written methodologies for maintaining at the Bank and PBI an adequate ALLL and EFR sufficient to absorb estimated credit losses for a 12-month period at the Bank and PBI. The ALLL and EFR methodologies shall be consistent with applicable guidance and regulations issued by the Board of Governors and the FDIC, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated December 21, 1993 and July 2, 2001, and all applicable guidance related to subprime lending and credit card account management practices. In establishing the methodology for an adequate ALLL and EFR, United, the Bank, and PBI shall, at a minimum, address, consider, and include:

- (i) Reserves for 12 months of expected losses for all principal loan balances, including non-delinquent accounts;

(ii) reserves for 12 months of expected losses on booked interest and fee receivables unless United, the Bank, and PBI receive the written approval of the Reserve Bank for reserves covering a shorter period of time;

(iii) loan loss experience;

(iv) trends of delinquent, nonaccrual, and charged-off accounts;

(v) present and prospective economic conditions;

(vi) incremental losses associated with over credit line accounts and accounts subject to settlement agreements;

(vii) the Bank's best estimate, within a reasonable range, of probable losses; the best estimate shall be derived on a conservative and prudent basis and shall include (A) estimable losses from impaired receivables, and (B) losses embedded in receivables that are not obviously impaired as of the balance sheet date but are reasonably expected to be manifested on a going concern basis within the next 12 months;

(viii) separate migration analyses for the three segments of the credit card portfolio detailed in the Report of Examination;

(ix) booking of revenue and income in accordance with paragraph 7 hereof; and

(x) the periodic review, on at least a quarterly basis, of the ALLL, including a comparison of actual credit card losses to previously projected charge-offs and prompt revisions to modeled assumptions whenever actual charge-offs in a rolling 12-month period exceed charge-offs projected for the same period by more than 5 percent, or by more than 2.5 percent in two successive quarters.

(c) United and the Bank shall maintain for subsequent supervisory review documentation supporting the ALLL and EFR methodologies and loss estimates used for the Bank and PBI, including, but not limited to:

- (i) Loss forecasting techniques and assumptions employed;
- (ii) any rationale for adjustments to historical experience; and
- (iii) a reconciliation of forecasted loss rates to actual loss rates, with significant variances explained.

(d) Within 90 days of this Agreement, the Bank and PBI shall achieve and thereafter maintain (i) adequate ALLLs, which shall be no less than the amounts described in paragraph 6(b)(vii) of this Agreement; and (ii) adequate EFRs.

Recordation of Revenue and Income

7. (a) United, the Bank, and PBI shall not record as revenue or income on the books of either PBI or the Bank any uncollected credit card fees or finance charges that are billed on or after the date of this Agreement. Credit card fees and finance charges shall only be recorded as revenue and income on the books and records of the Bank or PBI at the time such fees and charges are actually collected.

(b) The restrictions of paragraph 7(a) of this Agreement shall not be lifted unless and until United, the Bank, and PBI have complied with the provisions of paragraphs 6(a), 6(b), 6(d), and 14 of this Agreement.

Affiliate Transactions and Servicing

8. As of October 1, 2003, the Bank shall record on its books for the benefit of the Bank all revenue and income related to the assets on the Bank's books, including credit card receivables.

9. (a) Within 60 days of this Agreement, the Bank shall provide to the Reserve Bank an acceptable written plan for the provision and continuation of all services provided to the Bank by PBI or United or a third party that are necessary to preserving the value of the Bank's credit card receivables. The plan shall set forth, at a minimum, the amount and timing of proposed payments for such services, with all proposed payments to be made at cost or on commercially reasonable terms, with supporting documentation.

(b) The Bank shall provide to the Reserve Bank a copy of any proposed contract or amendment to an existing contract for the provision or continuation of services covered in the plan required by paragraph 9(a) of this Agreement, and the Bank shall not make any payments on any such contract without the prior written approval of the Reserve Bank. This provision does not preclude the Bank from reimbursing to PBI its actual costs incurred in connection with the Bank's subprime credit card portfolio that are consistent with section 23B of the Federal Reserve Act. Each contract submitted in accordance with this paragraph 9(b) shall contain a provision permitting the assumption by another party under commercially reasonable terms of the contractual obligation to provide services to the Bank.

(c) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written contingency plan for the provision or continuation of each of the services covered in the plan required by paragraph 9(a) of this Agreement.

Regulatory Communications and Cooperation

10. United, the Bank, and PBI shall ensure complete and prompt access to all documentation requested by the Reserve Bank as needed to fulfill regulatory and supervisory responsibilities.

Dividends and Interest

11. (a) United, the Bank, and PBI shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director"). Requests for approval shall be received at least 30 days prior to the proposed date for declaration of dividends and shall contain, but not be limited to, information on United's, the Bank's, and PBI's earnings for the most recent annual period and the last quarter.

(b) United shall not make any distributions of interest, principal, or other sums with respect to the subordinated debentures issued in connection with its trust preferred securities without the prior written approval of the Reserve Bank and the Director.

Compensation

12. United, the Bank, and PBI shall not, directly or indirectly, increase the salaries or bonuses of, or make any other payments, including, but not limited to, the payment of fees or payment of indebtedness, to or on behalf of any of their institution-affiliated parties or their related interests without the prior written approval of the Reserve Bank.

Liquidity

13. Within 120 days of this Agreement, United, the Bank, and PBI shall submit to the Reserve Bank an acceptable joint written plan to provide for the maintenance of an adequate liquidity position for the consolidated organization. The plan shall, at a minimum, address, consider, and include:

(a) Steps to increase the volume of liquid assets and to diversify Bank sources of funding;

- (b) the Bank's level of dependence on volatile liabilities, including out-of-territory deposits, brokered deposits, and institutional sources of funds;
- (c) the development of a defined funding strategy for credit card receivables, including securitized assets;
- (d) appropriate quantitative guidelines for monitoring the Bank's liquidity position, including guidelines to establish adequate coverage of volatile liabilities by liquid assets;
- (e) projections of all significant balance sheet and off-balance sheet funds flows and their related effects, including insured deposit funding, securitization, and affiliate funding;
- (f) sources of funding, other than insured deposits, for the scheduled amortization of the securitization; in the event that the securitization enters into early amortization; or to meet any other liquidity needs arising from the securitization; and
- (g) submission to the board of directors of the Bank of regular reports documenting the consolidated organization's progress in complying with the plan.

Accounting and Regulatory Reporting Review

14. (a) Within 45 days of this Agreement, United, the Bank, and PBI shall engage an independent firm, with experience in reviewing credit card operations and securitizations, that is acceptable to the Reserve Bank to review and issue opinions on (i) the appropriate accounting treatment for the organization's credit card and securitization activities; (ii) the organization's regulatory reporting; and (iii) the adequacy and effectiveness of the organization's accounting and internal control functions.

(b) Within 15 days of retaining the independent firm, United, the Bank, and PBI shall submit to the Reserve Bank an acceptable engagement letter governing the scope and terms of the review described in paragraph 14(a) of this Agreement.

(c) The review and opinions related to the organization's credit card and securitization activities, at a minimum, shall address, consider, and include:

(i) All entries associated with the securitization transaction, since its inception, including, but not limited to valuation of the interest-only strip, treatment of the accrued interest receivable, valuation of Class B note and seller's interest, and preparation of the monthly investors' reports;

(ii) accounting for all fees, except annual fees, that are assessed at account origination, including income statement and balance sheet treatment;

(iii) verification of the analytics used to support the allocation of loss between principal and various fee categories;

(iv) allocation of losses on credit card accounts between the Bank and PBI;

(v) the transfer of the escrow and operating reserves from PBI to the Bank; and

(vi) the treatment of charged-off fees that were booked as earned fees in a prior period.

(d) The review and opinion related to the organization's regulatory reporting shall, at minimum, review compliance with the instructions for and the interagency guidance related to the preparation of all applicable regulatory reports. United, the Bank, and PBI shall

comply with the findings of the independent firm's regulatory reporting review and shall follow all regulatory reporting instructions, including any amendments thereto, on an ongoing basis.

(e) The review of the adequacy and effectiveness of the organization's accounting and internal control function, shall, at a minimum, include:

- (i) The accounting system for credit card operations;
- (ii) the independence of the internal audit function;
- (iii) the staffing level and expertise of the internal audit staff;
- (iv) the scope of internal audits and adequacy of internal audit reports;
- and
- (v) internal controls related to credit card operations.

(f) A copy of the independent firm's reviews and opinions prepared in accordance with paragraphs 14(c), 14(d), and 14(e) of this Agreement shall be provided to the Reserve Bank at the same time as it is presented to the United, the Bank, and PBI. Within 20 days of receipt of the review and opinions, United, the Bank, and PBI shall jointly submit to the Reserve Bank a description of any changes United, the Bank, and PBI propose to make to their accounting and internal control policies and procedures, and regulatory reporting practices as a result of the review and opinions.

(g) United and the Bank shall take all necessary steps, including filing amended reports and making appropriate personnel changes, to ensure that all findings and recommendations in the independent firm's opinions are adequately addressed.

Securitization Valuation

15. (a) Within 10 days of the completion of the review and opinion described in paragraph 14 (c) of this Agreement, PBI shall commence and continue using a residual

valuation model that is consistent with industry practice and that, at a minimum, uses a discount rate that is based on appropriate comparisons with comparable portfolios and that is supported by other available market information.

(b) PBI shall document all major assumptions used in the residual valuation model, including, but not limited to, discount rate, payment rate, loss rate, and gross yield.

Management Information Systems

16. (a) Within 45 days of this Agreement, United, the Bank, and PBI shall engage an independent consultant acceptable to the Reserve Bank to review and assess the adequacy of the organization's management information systems (the "MIS") for credit card operations and to prepare a written report of findings and recommendations. The terms of the contract with the consultant shall require that the MIS review (the "MIS Review") be completed within 60 days of the retention of the independent consultant and that the written report of findings and recommendations (the "MIS Report") be submitted to United's, the Bank's, and PBI's boards of directors and the Reserve Bank within 10 days of the completion of the MIS Review. The purpose of the MIS Review is to ensure that the organization's senior management has sufficient and accurate information to monitor and evaluate risk and to assess the quality and performance of the organization's credit card portfolio.

(b) Within 15 days of retaining the independent consultant United, the Bank, and PBI shall submit to the Reserve Bank an acceptable engagement letter governing the scope and terms of the MIS Review described in paragraph 16(a) of this Agreement.

(c) The MIS Review shall, at a minimum, address, consider, and include:

(i) The adequacy of the MIS for the size and complexity of the organization's credit card portfolio and planned growth;

- (ii) internal consistency of the data derived from multiple sources within the organization;
 - (iii) the MIS deficiencies noted in the Report of Examination; and
 - (iv) the ability of the MIS to:
 - (A) determine the percentages of losses from fees and from principal;
 - (B) fully segment performance of the owned by Bank, seller's interest, and securitized portions of the credit card portfolio;
 - (C) segregate losses and collections of fees by type of fee;
 - (D) identify the profitability of specific segments of the portfolio;
 - (E) identify the impact and extent of negative amortization, over credit line activity, or multiple cardholders on the overall portfolio or segment thereof; and
 - (F) determine performance by account attribute.
- (d) Within 30 days of receipt of the MIS Report, the United, the Bank, and PBI shall submit to the Reserve Bank an acceptable joint written plan to improve the organization's MIS that fully addresses the findings and recommendations of the MIS Report and the MIS deficiencies noted in the Report of Examination.

Account Management

17. Within 45 days of receipt of the MIS Report described in paragraph 16(a) of this Agreement, the Bank shall submit to the Reserve Bank an acceptable plan for managing its credit card accounts. The plan shall, at a minimum, address, consider, and include appropriate controls to restrict negative amortization and provide for over credit line fee practices that are consistent with the Interagency Guidance on Credit Card Account Management and Loss Allowance Practices, dated January 8, 2003.

Insured Deposit Funding

18. (a) Within 60 days of this Agreement, United and the Bank shall submit to the Reserve Bank an acceptable joint written plan to continue to reduce the Bank's reliance on insured deposits as a funding source, in order to minimize the risk of exposure to the Bank Insurance Fund of the FDIC. The plan shall, at a minimum, provide for the Bank's maintenance of Marketable Assets in an amount equal to or in excess of the Bank's insured deposits, as long as the Bank has subprime credit card assets, and shall include a method for determining the market value of such Marketable Assets.

(b) (i) For purposes of this paragraph, the term "Marketable Assets" shall include only unpledged and unencumbered:

- (A) cash and due from bank balances;
- (B) investment securities as defined in 12 CFR 1.2;
- (C) federal funds sold;
- (D) nonsubprime loans, net of the ALLL associated with such loans;
- (E) credit card receivables valued at fair market value;
- (F) ATM funding; and
- (G) other assets acceptable to the Reserve Bank.

(ii) For the purpose of calculating Marketable Assets, subprime credit card receivables shall not exceed 80 percent of the value of Marketable Assets used to cover insured deposits.

Compliance Committee and Periodic Progress Reports

19. (a) Within 5 days of this Agreement, the boards of directors of United, the Bank, and PBI shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate compliance with the provisions of this Agreement. The Compliance Committee shall be comprised of three or more outside directors who are not officers or employees of United, the

Bank, or PBI. At a minimum, the Compliance Committee shall keep detailed minutes of each meeting, and shall report its findings to the board of directors on a monthly basis.

(b) Within 30 days after the end of each calendar quarter (December 31, March 31, June 30, and September 30) following the date of this Agreement, the boards of directors of United, the Bank, and PBI shall submit to the Reserve Bank a joint written progress report detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports may be discontinued when the Reserve Bank has, in writing, released United, the Bank, and PBI from making further reports.

Miscellaneous

20. The written plans, methodologies, and engagement letters required by paragraphs 2, 3, 4, 6(b), 9(a), 9(c), 13, 14(b), 16(b), 16(d), 17, and 18 hereof shall be submitted to the Reserve Bank for review and approval. Acceptable plans, methodologies, and engagement letters shall be submitted within the time periods set forth in this Agreement. United, the Bank, and PBI, as applicable, shall adopt the approved plans, methodologies, and engagement letters within 10 days of approval by the Reserve Bank and then shall fully comply with them. During the term of this Agreement, the approved plans, methodologies, and engagement letters shall not be amended or rescinded without the prior written approval of the Reserve Bank.

21. All communications regarding this Agreement shall be sent to:

- (a) Ms. Jacquelyn K. Brunmeier
Assistant Vice President
Division of Supervision, Regulation, and Credit
Federal Reserve Bank of Minneapolis
Minneapolis, Minnesota 55480

- (b) Mr. T. Denny Sanford
Chairman
United National Corporation
601 South Minnesota Avenue
Sioux Falls, South Dakota 57104
- (c) Mr. Dana J. Dykhouse
President and Chief Executive Officer
First PREMIER Bank
601 South Minnesota Avenue
Sioux Falls, South Dakota 57104
- (d) Mr. Miles K. Beacom
President
PREMIER Bankcard Inc.
900 W. Delaware Avenue
Sioux Falls, South Dakota 57104

22. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to United, the Bank, and PBI to comply with any provision of this Agreement.

23. The provisions of this Agreement shall be binding on United, the Bank, PBI and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

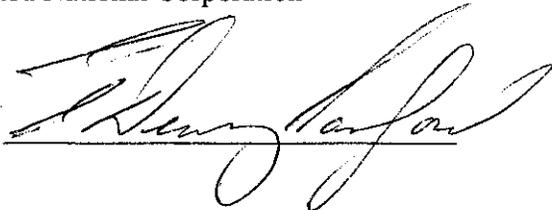
24. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank.

25. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting United, the Bank, PBI or any of their current or former institution-affiliated parties.

26. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 23rd day of September, 2003.

United National Corporation

By: 

Federal Reserve Bank of Minneapolis

By: 
Senior Vice President

First PREMIER Bank

By: 

PREMIER Bankcard Inc.

By: 