

VERY IMPORTANT

Presidential® Bank Collateral Maintenance Policies

(Custody Account Mutual Funds and Other Loan Collateral)

Thank you for your Presidential® Bank mutual fund equity loan application. “We”, “us”, “our”, and the “Bank” are used below to refer to Presidential Bank, 4520 East-West Hwy., Bethesda, MD 20814, phone 800-343-7887.

IT IS VERY IMPORTANT FOR YOU TO STRICTLY FOLLOW THESE POLICIES IF YOU WISH TO REDUCE THE RISK THAT MARKET CHANGES WILL CREATE A SITUATION WHERE THE BANK DEEMS IT NECESSARY TO SELL YOUR COLLATERAL TO PAY OFF ALL OR A PORTION OF YOUR LOAN. PLEASE PAY PARTICULAR ATTENTION TO THESE POLICIES DURING PERIODS OF DECLINING MARKET VALUES.

These Collateral Maintenance Policies apply to all mutual funds and other assets held in a Custody Account at the Bank that you have or will pledge as Collateral for a secured Line of Credit, pursuant to a Security Agreement between you and the Bank. Terms defined in that Security Agreement have the same meanings in this document. Your Loan is the “Loan” defined in your Note referenced in your Security Agreement. In this document, “you” and “your” refer to the Grantor under the Security Agreement and the Borrower under the Note. Definitions of certain other terms used below also appear in the Note or beneath the Collateral Maintenance Risk Categories table at the end of this document.

MAXIMUM LOAN AMOUNTS. From time to time, we may provide you with a statement (the “Collateral Statement”) which lists each item of Collateral that is currently pledged to secure your Loan. The Collateral Statement will also indicate the currently assigned Risk Category of each item of Collateral, together with that item’s Market Value as of the pricing date shown, the applicable Advance Rate, and the corresponding maximum amount of Cash Advances against the item, together with the Maintenance Collateral percentage applicable to the item taken from the then current Collateral Maintenance Risk Categories table. The sum of the individual maximum Cash Advance amounts is the Credit Limit for your Note (except that your Credit Limit may not exceed the stated Principal Amount of your Note). The Account Summary section of the Collateral Statement will show your current Credit Limit, as well as the percentage decline in the overall Market Value of your Collateral that would result in Insufficient Collateral, based upon your current Loan balance. You may use your own source of Market Value quotations and the applicable Maintenance Collateral percentages then in effect to calculate at any time whether your Custody Account contains sufficient Collateral to comply with the Collateral Maintenance requirement for your Loan. The Bank’s Risk Category assignments for individual items of Collateral are subject to change over time, based upon the Bank’s current analysis each such item.

MAINTENANCE LIMITS. The current principal balance of your Loan must never exceed the sum of the Maintenance Limits for each item of your Collateral. If it does exceed that sum, then you will have Insufficient Collateral under the terms of the Security Agreement. The “Maintenance Limit” of each item of your Collateral is the current Market Value of that Collateral item *multiplied by the corresponding Maintenance Collateral percentage for that Collateral item*. You must reduce the principal balance of your Loan to or below the sum of those Maintenance Limits, whenever you have Insufficient Collateral.

FOR EXAMPLE, suppose your Loan balance is \$13,000. If your Collateral is comprised of 100 shares of Fund X, in Risk Category F, and 1,000 shares of Fund Y in Risk Category D, where Fund X has a most recently available share price of \$50.00 per share, and Fund Y has a most recently available share price of \$10.00 per share, then the following table shows the calculation of your maximum Loan principal balance, above which you would need to Immediately send cash to the Bank to reduce the Loan balance to this maximum level.

Hypothetical Example

Collateral Item	Share Price	Number of Shares	Market Value	Risk Category	Maintenance Collateral	Maintenance Limit
Fund X	\$ 50.00	100.000	\$ 5,000.00	F	75%	\$3,750.00
Fund Y	\$ 10.00	1,000.000	\$10,000.00	D	85%	\$8,500.00
Maximum Loan Principal Amount (sum of Maintenance Limits):						\$12,250.00
Current Loan principal balance:						\$13,000.00
Cash Payment due Immediately to the Bank:						\$750.00

What to Do If you Have Insufficient Collateral

Whenever there is Insufficient Collateral in your pledged Custody Account, you must pay cash to the Bank **Immediately** to reduce your Loan balance to or below the sum of the Maintenance Limits. With the Bank's prior approval **only**, you may also provide additional Collateral as an alternative to making the required cash payment.

“**IMMEDIATELY**” means before the close of the Bank's current business day, on the day of the Collateral Maintenance Call, provided the Collateral Maintenance Call is given before 2:00 p.m. United States Eastern Time that day, and otherwise before the close of business on the Bank's next business day. If no Collateral Maintenance Call is given, but the current Maintenance Limit is exceeded based upon Market Values as of the end of a business day, then “Immediately” means by the close of business on the Bank's next business day. For purposes of Collateral Maintenance payments made by wire transfer, the “close of business” means by 3:45 p.m. Eastern Time, according to Bank's receipt of notice of the payment from the Federal Reserve System (except that no payment is required until the Federal Reserve System, if closed, is next open for wire transfer transactions).

IMPORTANT: If the Market Value of your Collateral declines such that your current Loan balance exceeds the sum of the Sellout Levels of each item of your Collateral *multiplied by* its respective Market Value, then the Bank will ordinarily sell all or part of your Collateral without waiting for a cash payment or another action by you.

CASH COLLATERAL MAINTENANCE PAYMENTS. Cash payments for Collateral Maintenance purposes must be made in immediately available funds, which means by wire transfer to the Bank through the Federal Reserve System, unless you already have sufficient cash on deposit at the Bank. Wire instructions for Collateral Maintenance payments made by wire transfer are as follows:

Pay to: Presidential Bank, FSB
4520 East-West Highway
Bethesda, MD 20814
ABA #255073345

For Credit to: Trust Custody Department
Account Number 01-52-04118

For Further Credit to: [Your Custody Account Name and Number]

SENDING ADDITIONAL COLLATERAL. To transfer additional Collateral to your Custody account, complete the Presidential® Bank Securities Account Transfer Request form and have the form signatures guaranteed, fax the completed form and the corresponding Mutual Fund or Broker account statements to the Bank's Trust Custody Department using the fax number provided below, and then send the original forms to the address given below via express overnight delivery. Please remember that additional Collateral may not be used as an alternative to a required cash Collateral Maintenance payment, unless you have received the Bank's prior approval.

Presidential Bank, FSB
Trust Custody Department
4600 East-West Highway, Suite 400
Bethesda, MD 20814

Fax Number: 301-657-8069

Exceeding Your Credit Limit

Your Credit Limit is calculated daily, based upon the previous business day's closing Market Values for the items of Collateral in your pledged Custody Account. Attempts to obtain Cash Advances on any particular day which would make your total outstanding Loan principal balance exceed that day's Credit Limit will ordinarily be disapproved. In particular, you should be aware that a check you may have written in the past, even if your Credit Limit was high enough to permit honoring the check when it was written, will not be honored if your Credit Limit at the time the check is presented for payment through your Credit Line is not sufficient to permit a new Cash Advance in the amount of the check.

Note: The provisions of this three-page document are the “Collateral maintenance policies” referred to in the paragraph captioned “Collateral Maintenance” on page 2 of your Security Agreement with the Bank, unless in the future we give you written notice that other policies apply. In case of any conflict between this document and the Security Agreement, the provisions of the Security Agreement shall govern.

Collateral Maintenance Risk Categories

The table below identifies the various Risk Categories into which the components of your Collateral may fall. These Risk Categories will be assigned to each item of your Collateral, based upon the Bank’s analysis of the relative price volatility of each Collateral item, in the Bank’s sole and absolute discretion. Your Collateral Statement will identify the Risk Category applicable to each item of your Collateral, and the corresponding Maintenance Collateral and Sellout Level percentages, in effect as of the date of the Market Values shown on the Collateral Statement. Definitions of certain terms used in this table and elsewhere herein follow the table.

Collateral Maintenance Risk Categories

<i>Risk Category</i>	<i>Relative Risk</i>	<i>Purpose Loan</i>	<i>Advance Rate</i>	<i>Maintenance Collateral</i>	<i>Sellout Level</i>
A	Lowest Risk	50%	90%	97%	99.5%
B	↑	50%	85%	95%	99%
C		50%	80%	90%	95%
D		50%	75%	85%	90%
E		50%	70%	80%	85%
F		50%	65%	75%	80%
G		50%	60%	70%	75%
H	↓	50%	55%	65%	70%
I	Highest Risk	50%	50%	60%	65%

Definitions

Market Value. As used below and elsewhere in this document, “Market Value” means the most recently available market price of Collateral per unit, multiplied by the number of units, usually shares, pledged. Where bid and asked prices are quoted, the bid price is used. Alternatively, for securities other than mutual funds, the Bank may elect to use the last available trade price in place of the bid price. For open-end mutual funds the market price used is the most recently available net asset value per share for the fund, as publicly disseminated by the fund.

Cash Advances. “Cash Advances” are amounts of money not then outstanding which are newly lent by the Bank at the Borrower’s request or to cover checks or other payment requests made by the Borrower or to cover charges and payments made by the Bank pursuant to the Security Agreement and Related Documents. Cash Advances include amounts previously advanced, repaid by the Borrower, and then re-advanced by the Bank.

Purpose Loan. “Purpose” Loan means, in general, a Loan that you obtain for the purpose of acquiring or carrying equity securities, including publicly traded stocks, bonds convertible into stocks, warrants and options representing a right to acquire stock, and mutual fund shares. In the case of a Purpose Loan, the percentage indicated is the maximum amount of the Cash Advances, as a percentage of the Market Value of the Collateral. For definitive information on Purpose Loans, including the applicable maximum Cash Advances percentage, refer to Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221). Because the maximum amount of Cash Advances under a Purpose Loan is prescribed by U.S. Government regulations, the Bank has no authority to waive or alter this requirement.

Advance Rate. For Loans other than Purpose Loans, the Advance Rate column shows a percentage which is the maximum amount the Bank will advance as Cash Advances against Collateral in the Risk Category shown, as a percentage of the Market Value of the Collateral.

Maintenance Collateral. Once one or more Cash Advances have been made, the “Maintenance Collateral” percentage of the Collateral’s current Market Value represents the maximum permissible amount of the Loan’s current outstanding principal balance attributable to each item of Collateral, otherwise called the Maintenance Limit. If the principal balance of the Loan attributable to the particular item of Collateral exceeds its Maintenance Limit, then an immediate Loan principal reduction is required. If the Loan balance ever exceeds the Maintenance Collateral level, then the Borrower is required to Immediately pay cash to the Bank to reduce the loan balance to or below the Maintenance Collateral level. In certain cases the Bank may, but is not required to, accept additional acceptable Collateral, as an alternative to a cash payment. The Bank will normally issue a Collateral Maintenance Call to the Borrower when the Loan balance exceeds the Collateral Maintenance level.

Sellout Level. The amount equal to the “Sellout Level” percentage of the Market Value represents the outstanding principal balance level of the Loan above which the Bank expects to act as soon as possible to protect its interests. If the outstanding principal balance of the Loan ever exceeds the Sellout Level percentage of the Market Value of the Collateral, then possibly without waiting to receive any Collateral Maintenance payment that may in transit or forthcoming, the Bank will ordinarily at the earliest possible opportunity sell some or all of the Collateral to pay off the Loan or to reduce the principal balance of the Loan to the point where it no longer exceeds the Maintenance Collateral level.