

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 3rd day of May, 2010, (Effective Date) by and through the Board of Directors (Board) of Presidential Holdings, Inc., Bethesda, Maryland, OTS Docket No. H-3187 (Holding Company) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director);

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Holding Company is subject to examination, regulation, and supervision by the OTS; and

WHEREAS, based on the September 8, 2009 report of examination of the Holding Company (2009 ROE), the OTS finds that the Holding Company has engaged in unsafe or unsound practices and/or violations of law or regulation; and

WHEREAS, in furtherance of their common goal to ensure that the Holding Company addresses the unsafe or unsound practices and/or violations of law or regulation identified by the 2009 ROE, the Holding Company and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on April 29, 2010, the Holding Company's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Holding Company to enter into this Agreement and directs compliance by the Holding Company and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Cash Preservation Plan.

1. Within forty-five (45) days, the Holding Company shall implement and adhere to a cash management and preservation plan to minimize the depletion of the Holding Company's cash and ensure the availability of cash to meet continued operational needs (Cash Plan). The Cash Plan shall include cash flow statements identifying all sources and uses of funds. A copy of the Cash Plan shall be provided to the Regional Director within ten (10) days following its adoption by the Holding Company's Board.

Thrift Oversight.

2. Effective immediately, the Holding Company shall ensure that Presidential Bank, FSB, Bethesda, Maryland, OTS Docket No. 08186 (Association), complies with applicable laws, rules, regulations, and agency guidance and all the terms of the Supervisory Agreement by and between the Association and the OTS dated May 3, 2010.

Dividends.

3. Effective immediately, the Holding Company shall neither accept nor request that the Association make or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.141, or commit to make or pay dividends or any other capital distributions, without receiving the prior written non-objection of the Regional Director. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

4. Effective immediately, the Holding Company shall not declare or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without the prior

written non-objection of the Regional Director. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

Debt Limitations.

5. Effective immediately, the Holding Company shall not: (a) incur, issue, renew, or rollover any debt or debt securities, increase any current lines of credit, guarantee the debt of any entity, or otherwise incur any additional debt without receiving the prior written non-objection of the Regional Director; or (b) authorize or permit any subsidiary of the Holding Company to incur, issue, renew, or rollover any debt or debt securities, increase any current lines of credit, guarantee the debt of any entity, or otherwise incur any additional debt without receiving the prior written non-objection of the Regional Director. All written requests to the Regional Director shall include, at a minimum, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt issuance, renewal, or rollover; the proposed increase in any current lines of credit; the proposed guarantee of the debt of any entity; or any other incurrence of additional debt.

6. Effective immediately, the Holding Company shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written non-objection of the Regional Director. The Holding Company's written request for such non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed stock purchase or redemption.

Severance and Indemnification Payments.

7. Effective immediately, the Holding Company shall not make any golden parachute payment¹ or prohibited indemnification payment² unless, with respect to each such golden parachute payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359.

Directorate and Management Changes.

8. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

9. Effective immediately, the Holding Company shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer³ or director of the Holding Company, unless it first provides the OTS with not less than forty-five (45) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Effective Date.

10. This Agreement is effective on the Effective Date as shown on the first page.

¹ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

² The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

³ The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

Duration.

11. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

12. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

13. The Regional Director may extend any of the deadlines set forth in the provisions of this Agreement upon written request by the Association that includes reasons in support for any extension. Any OTS extension shall be made in writing.

Submissions and Notices.

14. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

15. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (a) To the OTS:
Regional Director
Office of Thrift Supervision
1475 Peachtree St., N.E.
Atlanta, Georgia 30309
404.897.1861 (Fax)

- (b) To the Association:
Presidential Holdings, Inc.
c/o Bruce Cleveland, Chairman
4600 East-West Highway, Suite 415
Bethesda, Maryland 20814-3335
301.951.3513 (Fax)

No Violations Authorized.

16. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

17. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

18. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 16 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

19. The laws of the United States of America shall govern the construction and validity of this Agreement.

20. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

21. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

22. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

23. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

24. This Agreement is a “written agreement” entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

Signature of Directors/Board Resolution.

25. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

PRESIDENTIAL HOLDINGS, INC.
Bethesda, Maryland

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
A. Bruce Cleveland
Chairman of the Board

By: _____ /s/
James G. Price
Regional Director, Southeast Region

BOARD OF DIRECTORS

_____/s/
George S. Jenkins
Director

_____/s/
Bruce R. Katz
Director

_____/s/
William P. McCauley
Director