

Item 1 – Cover Page

Presidential Brokerage, Inc.
5445 DTC Parkway, Suite 1100
Greenwood Village, CO 80111
303-694-1600

www.presidentialbrokerage.com

February 17, 2012

This Brochure provides information about the qualifications and business practices of Presidential Brokerage, Inc. (“Presidential”). If you have any questions about the contents of this Brochure, please contact us at 800-230-1288 or acampen@presidentialbrokerage.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Presidential is a registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Presidential also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The Material changes to this brochure since March 31, 2011 is the addition of Item 19 – Requirements for State Registered Advisors, which includes information regarding the education and business background of the principal officers of Presidential as well the disclosure of a 2005 NASD reportable regulatory action involving Presidential and two of its principal officers.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. This brochure was previously updated on March 30, 2010.

Currently, our Brochure may be requested by contacting Tony Campen, Chief Compliance Officer, at 800-230-1288 or acampen@presidentialbrokerage.com. Our Brochure is also available on our web site www.presidentialbrokerage.com, also free of charge.

Additional information about Presidential is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Presidential who are registered, or are required to be registered, as investment adviser representatives of Presidential.

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Item 4 – Advisory Business

Presidential is full-service Investment Adviser that provides individualized products, services and advice which range from mutual fund wrap programs to multi-manager separately managed accounts to customized advice on 401(k) plans. Presidential has been in business since 1991 and its principal owners are Daniel Lempe and John DuPriest.

As of 12/31/2011 Presidential's assets under management were \$47.6 million of which \$14.2 Million were managed on a discretionary basis and \$33.4 million were non-discretionary assets.

Advisory Products and Services Offered:

Presidential Brokerage, Inc ("Presidential"), through its advisory representatives, offers a variety of investment advisory products and services as described below. Presidential offers four exclusive money management programs and several wrap programs made available to Presidential and its clients by Presidential's clearing firm First Clearing, LLC ("FCC") and Wells Fargo Advisors, LLC ("WFA"). FCC is a non-bank affiliate of WFA and also provides custodial and execution services for accounts participating in the wrap programs it makes available to Presidential and its clients.

Programs Exclusive to Presidential

Presidential provides four exclusive money management programs: Presidential's Dynamic 401(k) Program, a non-discretionary, customized subscription-based asset allocation program designed to assist clients in allocating fund choices within their 401k plans; ETF Powerstroke, a relative strength based discretionary investment strategy utilizing Exchange Traded Funds; DAAS, a discretionary mutual fund timing strategy managed by Matthew Pavich; and McBRydex, a relative strength based discretionary investment strategy utilizing Rydex funds.

Wrap Programs available through FCC/WFA

The programs available from Presidential through FCC and WFA include: Allocation Advisors, Asset Advisor, FundSource, Custom Choice, Diversified Managed Allocations ("DMA"), Masters Investment Consulting ("Masters"), Private Advisor Network ("Network") and Private Investment Management ("PIM"). Clients participating in any of these programs will be provided with separate disclosure brochures that are specific to the individual programs and managers if applicable. Clients should carefully review these brochures and program contracts for additional information about a specific program before selecting from among them.

A "Wrap" program generally means that a client will pay a single asset-based fee for portfolio management, trade execution and custodial services, a portion of which Presidential receives for its services.

Allocation Advisor

The Allocation Advisor Program offers fully allocated discretionary portfolios that represent a way to implement your asset allocation, utilizing either strategic (10-15 years), cyclical (3-5 years), or tactical (3-

12 months) asset allocation. The program presents a unique exchange-traded funds (ETFs) selection and monitoring service designed to help investors work towards their financial goals. For more information on this program and more detailed disclosures please refer to the Allocation Advisor disclosure document.

Asset Advisor

Asset Advisor is a non-discretionary advisory program that includes advisory services and custodial/transaction costs in a single asset-based fee. Clients have the ability to invest in a variety of different investment products including stocks, bonds, mutual funds and options. Under this program clients may make their own investment decisions and conduct transactions on an unsolicited basis or work with their Presidential advisory representative to help them decide which investments may be best suited for their situation. Investment recommendations made by an advisory representative are generally based on a variety of factors including, but not limited to, the client's investment goals and objectives, risk tolerance, time frame for investing and liquidity needs. For more information on this program and more detailed disclosures please refer to the Asset Advisor disclosure document.

FundSource

FundSource is a discretionary mutual fund wrap program providing clients with access to over 25 Optimal Blend fund portfolios actively managed by the Manager Strategy Group at WFA. The portfolios are constructed of load-waived, no-load and institutional share class mutual funds. Clients, along with their Presidential advisory representative, can also create a tailored allocation for the client's specific needs using these mutual funds in Customized Blends within FundSource. While Customized Blends are built by advisory representatives and clients, the funds are also monitored by FCC's Manager Strategy Group. Both Optimal and Customized Blends offer automatic fund replacement as well as auto-rebalancing. For more information on this program and more detailed disclosures please refer to the FundSource disclosure document.

Custom Choice

Custom Choice is a non-discretionary mutual fund wrap program that allows a client and their Presidential advisory representative to construct their own asset allocation from a broad universe of over 3600 institutional share class, no-load and load-waived mutual funds. This program helps clients maintain their strategic asset allocation by offering optional auto-rebalancing. For more information on this program and more detailed disclosures please refer to the Custom Choice disclosure document.

DMA

DMA is a discretionary advisory program that offers separately managed portfolios featuring asset allocation, diversification and risk-based portfolio management to investors. WFA's Manager Strategy Group evaluates a broad range of asset classes and investment styles and identifies classes or styles that perform differently under varying market conditions. From these, the Manager Strategy Group uses quantitative and qualitative measures to select what it perceives to be "best of breed" investment managers for the DMA program. Focusing both on the merits of the individual investment managers and on how the various investment managers on advisory roster complement one another, Presidential has developed what it believes to be a continuum of diversified strategies for investors, based on specific risk

tolerances and financial situations, called Optimal Blends. Clients can select one of the Optimal Blends or, working with their advisory representative, construct their own strategy using the DMA roster of investment managers. For more information on this program and more detailed disclosures please refer to the DMA disclosure document.

Masters

Masters is a discretionary advisory program designed to assist Presidential advisory representatives and clients in identifying professional investment managers who can not only help a client meet their specific investment goals, but also keep their tolerance for risk in mind. A Masters client has access to any one of 70 of the nation's top professional institutional investment managers at pre-negotiated entry levels and fee schedules. For more information on this program and more detailed disclosures please refer to the Masters disclosure document.

Network

The mission of the Network program is to assist clients in identifying professional money managers who can help meet the specific investment goals, risk tolerance and objectives of each client. Each Network portfolio is professionally managed on a discretionary basis, separate account (individual stock and bond holdings) where the client pays Presidential either a fee-in-lieu of commission or commission (on a negotiated commission rate) that covers a package of services: transaction charges, consulting services, and compensation to Presidential for the value-added service that they provide the client. Keep in mind that fee-based accounts are not designed for either excessively traded or inactive accounts and may not be suitable for all investors. During periods of lower trading activity, fees may be lower in this program if the investor selects to open a commission-based account. For more information on this program and more detailed disclosures please refer to the Network disclosure document.

PIM

Private Investment Management is a discretionary program where Presidential, or a Presidential advisory representative, acts as the portfolio manager. PIM can be used for either personalized portfolio management or in combination with one of Presidential's exclusive money management programs. Clients combining PIM with a Presidential exclusive money management program will pay a separate fee for management services as detailed in the relevant program description. Clients have the ability to invest in a variety of different investment products including stocks, bonds, mutual funds and options. Investment decisions made by Presidential and/or an advisory representative are generally based on a variety of factors including, but not limited to, the client's investment goals and objectives, risk tolerance, time frame for investing and liquidity needs. For more information on this program and more detailed disclosures please refer to the PIM disclosure document.

Program Termination – Program services described above may be terminated upon 10 days advance notice. Upon written receipt of notice to terminate its Client Agreement with any of Presidential's investment advisory programs, and unless specific transfer instructions are received, Presidential and its agent will, in as orderly and efficient manner as deemed possible, proceed with liquidation of the Client's account. There will not be a charge by Presidential for such redemptions. However, the Client should be aware that certain mutual funds impose redemption fees as stated in each company's fund prospectus in

certain circumstances. Clients must keep in mind that the decision to liquidate securities or mutual funds may result in tax consequences that should be discussed with the client's tax advisor.

Factors that may affect the orderly and efficient manner would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate Client's investment advisory service and communicate the instructions to Client's investment advisor, termination orders received from clients are not market orders; it may take several business days under normal market conditions to process a Client's request. During this time, a Client's account is subject to market risk. Presidential and its agent are not responsible for market fluctuations of the Client's Account from time of written notice until complete liquidation, although efforts will be made to process the termination in an efficient and timely manner.

Exclusive Money Management Services

Presidential's Dynamic 401(k)SM

Presidential's Dynamic 401(k) Program is a non-discretionary, subscription-based investment advisory service tailored specifically for an individual ("Client") participating in 401(k) and/or other retirement plans ("Plan") where the investment options include a limited universe of funds or sub-accounts to choose from. The Dynamic program involves Presidential's proprietary screening methodology that incorporates a macro assessment of the market and is then further customized to the Client's individual retirement program, specifically the investment options offered within the Plan. Once per month Presidential runs a series of Reports first using certain asset class benchmarks ("Macro Allocation") and then a Short Term Relative Strength Report specific to the mutual funds available in a Client's Plan ("Custom Allocation"). The Custom Allocation Report assesses recent relative price performance information regarding the Plan's funds– using multiple weeks' end-of-day data – placing greater weight on the most recent tendencies toward strengths or weaknesses.

The multi-layered allocation process begins with a review and comparison of three asset classes (the Macro Allocation): Money Market funds to Bonds, Bonds to Equities, and Equities to Money Market funds. An algorithm then determines the Macro Allocation, depending on the performance of each asset class relative to the other asset classes, and what percentage of the portfolio should be invested in money market (if any), what percentage should be invested in bonds (if any), and what percentage should be invested in the Custom allocation (if any). The Custom allocation involves choosing the top two funds based on the most recent positive relative strength performance. In the absence of any "positive" funds being identified through the report, money market will be the fund chosen and the effective default position. All aspects of the allocation's methodology are subject to modification based on changing market and economic environments.

Risks associated with the program

This is an aggressive strategy. Depending on market conditions the system may produce recommendations that result in a highly concentrated portfolio. Because the reports are only generated monthly market conditions in the interim may negatively affect investments prior to a revised

recommendation. Subscribers to this program are responsible for making the final determination of suitability of the recommendations to their specific situation. It is important that Clients realize that the “custom” nature of this strategy refers to the unique universe of investment choices within their plan. The strategy does NOT take into consideration specific differences in risk tolerance or investment objectives.

Program Implementation

The customized allocation reports will be generated by the end of each month and emailed to the client by their Presidential Advisor. It is the Client's sole decision to implement (or not implement) any initial allocations or reallocations to their individual plan. There is no guarantee expressed or implied as to performance achieved by following the Program's recommendations. Presidential, or its Advisors, are not permitted to enter transactions on a client's behalf in this program. Clients may consult with their Presidential Advisor regarding issues such as method and timing of the program's recommendations. The Client is ultimately responsible for the results of any transactions that occur in their Plan, including those deviations from Presidential's recommendation on the advice of a Presidential Advisor.

Application of the strategy in Variable Annuities

The same process is also available to Presidential clients to assist in managing certain variable annuity sub-accounts. Clients have the option of implementing the recommendations on their own or granting discretion to their Presidential Advisory Representative to effect any allocation changes. In either case the program is made available free of charge to existing annuity clients.

Presidential's ETF PowerstrokeSM

Presidential's ETF Powerstroke program (“Powerstroke”) is a discretionary investment advisory service that is designed to locate and take advantage of short to mid-term movements of Exchange Traded Funds (“ETF”). Powerstroke is a “black box” proprietary trading strategy that determines which ETFs to purchase based on a relative strength algorithm. The universe of ETFs that the program may choose from has been assembled with the idea of having a range of sectors, geographic regions, large caps, small caps, etc., to attempt to take advantage of leadership rotation in the market. The program is run on a daily basis to determine if any new buy signals are to be executed, if any sell prices have been triggered, or if any profit protect price triggers need to be raised as described below.

Buy Discipline: As described above, Powerstroke is a momentum-influenced trading strategy that selects investments based on an ETF's price performance relative to its peers. Once an individual ETF has been identified as a “buy,” the program will purchase, assuming sufficient cash is available, an amount approximating 33% of the total current portfolio value with a maximum of three positions at one time.

Sell Discipline: Once an ETF is purchased, a “principal protection” sell price is determined based on a pre-set formula. If the ETF's closing price on any day drops to, or below, that target price then the ETF is sold the morning of the next trading day. If the value of an ETF rises by a pre-set percentage, then the “principal protection” strategy becomes a “profit protection” strategy. Under the “profit protection” strategy a sell price is determined based on protecting a percentage of the profit that the ETF has achieved. Additionally, Powerstroke incorporates other sell disciplines including maximum holding periods and inclusion on a proprietary negative relative strength list. The program can hold large percentages of cash – including all cash – during certain market conditions.

Risks associated with the program

Powerstroke is an aggressive strategy that involves limited diversification. The Powerstroke strategy is a backtested theory developed with the benefit of hindsight. Originally developed in 2006, the strategy has undergone several adjustments including a major modification in December 2008 following the downturn of the market beginning in September 2008, and again in November 2010 which included the addition of a limited number of inverse ETFs (including at least one leveraged inverse ETF) into the Powerstroke database. These most recent adjustments to the strategy were made to help minimize the effects of major market downturns on the value of the model portfolio.

Participation in the Powerstroke program may cost the client more or less than if they bought the securities separately outside of the program.

Trade Execution and Allocations

Trades will be executed by Presidential as broker/dealer in its average price account and buys and sells will be allocated to a client's individual account(s). New program participants will be initially allocated in a manner that replicates, as close as possible, the current ETFs held and percentages owned in the model portfolio.

DAAS- Dynamic Asset Allocation Strategies

The Dynamic asset allocation strategy ("DAAS") is a discretionary mutual fund timing approach developed and managed by Matthew Pavich ("Pavich"), an Investment Adviser Representative employed by Presidential. DAAS involves the active trading of Sector funds, Index funds and, on occasion, leveraged versions of these funds offered by Rydex and ProFunds. The program is available through accounts held at Rydex Funds and ProFunds as more fully described in the section titled "Available Investment Platforms."

Program Risks

DAAS is a highly active strategy that involves frequent transactions and may involve limited diversification. The Strategy may include the use of leveraged funds which are more risky as their volatility (by design) is greater than that of the base index or sector. For accounts held at Rydex, Pavich may also take advantage of "early trading" whereby individual funds may be traded mid-day.

The DAAS program is available in a moderate, aggressive or speculative portfolio. These risk classifications are relative to the highly active nature of the trading activity involved.

Available Investment Platforms

Clients assets for the moderate and aggressive portfolios will be domiciled at Rydex funds. ProFunds speculative portfolio is only recommended for that portion of a client's assets appropriate for high risk.

Under both platforms, the Clients' accounts are managed on a "Separately Managed Account" basis, with the Client's assets being segregated from other client's accounts. Accounts are traded under a group number whereby all accounts are allocated identically based on the allocation specified by Pavich.

Risks Associated With Sole Manager

Pavich is the sole person responsible for managing assets under the DAAS program. If, for any reason Pavich become unavailable or is otherwise unable to perform his duties in managing the DAAS program

there are no other persons that would be able to replace Pavich as manager. Under such circumstances, Presidential would make arrangements for Client's assets to be moved to Money Market funds, and the clients would be notified of the termination of the program with fees refunded on a pro-rated basis.

McBRydex Allocation Strategy

The McBRydex allocation strategy ("McBRydex") is a discretionary mutual fund, relative strength-based approach managed by Jason McBride ("McBride"), an Investment Adviser Representative employed by Presidential. The strategy utilizes screening of a pool of available Rydex Mutual Funds to attempt to determine general market strength or weakness, and to attempt to determine the relative strength or weakness of the individual funds when compared to the overall pool of available funds. Rather than being a "black box" strategy that blindly invests in the results of the screen, McBride uses the results as a guideline and may, at his discretion, modify the investments or allocation percentages. The strategy is not predisposed to staying fully invested during poor or volatile market conditions and may invest in up to 100% cash equivalents as a protective measure.

While the investments are generally intended to be reallocated on a monthly basis, McBride may exercise his discretionary authority to modify the portfolio more or less frequently based on factors such as changes to the economic environment, market conditions or a revised opinion of the individual investments.

Program Risks

McBRydex is a strategy that may involve frequent transactions and may involve limited diversification. The Strategy may include the use of leveraged and/or inverse funds. By their nature leveraged and inverse funds are more risky as their volatility (by design) is greater than that of the base index or sector. McBride may also take advantage of "early trading" whereby certain funds may be traded mid-day.

McBRydex involves the active trading of Sector funds, Index funds and, on occasion, leveraged and/or inverse versions of these funds offered by Rydex funds. The McBRydex program is considered an aggressive strategy and should only be considered by investors for that portion of their investments assets that are appropriate for a higher risk level.

Investment Platform

Client's assets for the McBRydex portfolios will be domiciled at Rydex funds on a "Separately Managed Account" basis, with the Client's assets being segregated from other client's accounts. Accounts are traded under a group number whereby all accounts are allocated identically based on the group allocation specified by McBride.

Risks Associated With Sole Manager

McBride is the sole person responsible for managing assets under the McBRydex program. If, for any reason McBride became unavailable or otherwise unable to perform his duties in managing the McBRydex program there are no other persons that would be able to replace McBride as manager. Under such circumstances, Presidential would make arrangements for a Client's assets to be moved to Money Market funds, and the clients would be notified of the termination of the program with fees refunded on a pro-rated basis.

Other Advisory Services

Personal Financial Planning Services for Fee

Presidential provides personal financial planning services for a fee in the form of a financial plan encompassing such areas as Estate Planning, Retirement Planning, Investment Planning, and Business Succession planning. Such Plan is prepared from information provided by the client to Presidential relating to a client's current financial picture, personal preferences relating to basic elements such as risk tolerance, and long-term financial objectives. Presidential and the client work as a team putting together the information necessary to create a Plan. The quality and value of the completed Plan is dependent upon a client providing complete and accurate information.

The cost of Plan preparation is dependent upon the extent and complexity of the Plan. Typical plans prepared by Presidential cost between \$500 and \$2,000; the cost and extent of a Plan is negotiated and agreed upon prior to development of the Plan. These costs are separate from and do not include any costs associated with the implementation of any Financial Plan, whether executed through Presidential or elsewhere.

Item 5 – Fees and Compensation

All fees are subject to negotiation.

The specific manner in which fees are charged by Presidential is established in a client's written agreement with Presidential. Presidential will generally bill its fees in advance on a quarterly basis. Clients may also elect to be billed directly for fees or to authorize Presidential to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

Presidential's advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Presidential's fee, and Presidential shall not receive any portion of these commissions, fees, and costs.

A table of the standard fee schedule for the programs described in this brochure:

Program	First \$250,000		Next \$750,000		Over \$1 million	
	Quarterly fee	Annual fee	Quarterly fee	Annual fee	Quarterly fee	Annual fee
Allocation Advisors	0.5%	2.0%	0.375%	1.5%	0.25%	1.0%
Asset Advisor	0.75%	3.0%	0.625%	2.5%	0.5%	2.0%
FundSource	0.4375%	1.75%	0.375%	1.5%	0.2875%	1.15%

Program	First \$250,000		Next \$750,000		Over \$1 million	
Custom Choice	0.4375%	1.75%	0.375%	1.5%	0.2875%	1.15%
DMA	0.75%	3.0%	0.625%	2.5%	0.5%	2.0%
Masters – Equity and Balanced Accounts	0.75%	3.0%	0.625%	2.5%	0.5%	2.0%
Masters - Fixed Accounts	0.4375%	1.75%	0.3125%	1.25%	0.25%	1.0%
Network – Equity and Balanced Accounts	0.5%	2.0%	0.375%	1.5%	0.25%	1.0%
Network - Fixed Accounts	0.25%	1.0%	0.1875%	0.75%	0.125%	0.5%
PIM	0.75%	3.0%	0.625%	2.5%	0.5%	2.0%
PIM when bundled w/ Powerstroke	0.625%	2.5%	0.5%	2.0%	0.375%	1.5%
ETF Powerstroke	0.125%	0.5%	0.125%	0.5%	0.125%	0.5%
DAAS	0.5%	2.0%	0.5%	2.0%	0.5%	2.0%
McBrydex	0.5%	2.0%	0.5%	2.0%	0.5%	2.0%

Participants in the Dynamic 401(k) program are charged a flat \$50 monthly subscription fee, in advance.

Item 6 – Performance-Based Fees and Side-By-Side Management

Presidential does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Presidential provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions and trust programs.

Minimum dollar amounts are required to establish certain managed accounts as outlined in the table below:

Program	Minimum Initial Investment
Allocation Advisors	\$50,000
Asset Advisor	\$50,000
FundSource	\$25,000
Custom Choice	\$25,000
DMA	\$150,000
Masters	\$100,000
Network	\$100,000
DAAS	\$25,000
ETF Powerstroke	\$50,000
McBrydex	\$25,000

Under certain circumstances the minimum may be waived or reduced, including for related accounts that may be combined to meet minimum requirements.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The investment strategies employed by Presidential in its exclusive managed programs and services as well as the unique risks associated with some of the strategies and products utilized are described in the relevant program descriptions in Item 4 of this brochure.

Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Presidential or the integrity of Presidential's management. Information regarding disciplinary information can be found under Item 19.

Item 10 – Other Financial Industry Activities and Affiliations

Presidential is a FINRA registered broker/dealer and a licensed Insurance Agency. All of Presidential's advisory representatives are registered representatives of Presidential and may earn sales commissions when effecting securities transactions for clients in that capacity. Most of Presidential's advisory representatives are also licensed insurance agents that generate commissions through the sale of insurance products. Commissions generated by both the brokerage and the insurance products may involve clients that are also clients of the Presidential in its capacity as an advisor, thereby resulting in a possible conflict of interest when these products are offered and sold to clients.

Item 11 – Code of Ethics

On occasion, an advisory representative will make the purchase and/or sale of securities for their own accounts that are also recommended to its clients. Presidential has a fiduciary duty to its advisory clients and will always give client trades priority over same-day trades executed for Presidential or and/or affiliated persons.

Presidential has adopted a Code of Ethics which states that high ethical standards are essential for the success of Presidential and to maintain the confidence of clients and clients serviced by its advisory representatives. Presidential's long-term business interests are best served by adherence to the principle that the interests of clients come first. Presidential has a duty to act solely for the benefit its clients. Potential conflicts of interest may arise in connection with the personal trading activities of our personnel. Accordingly, Presidential has adopted this Code of Ethics containing provisions designed to (1) prevent improper personal trading; (2) identify conflicts of interest; and (3) provide a means to address any actual or potential conflict of interest. Adherence to the Code of Ethics and the related restrictions on personal investing is considered a basic condition of employment by Presidential. Clients or potential clients may receive a copy of this Code of Ethics by contacting Presidential at 800-230-1288.

Item 12 – Brokerage Practices

As an advisor, Presidential recommends to its clients that they use the firm's clearing broker-dealer for custodial and brokerage services for wrap accounts offered by WFA. The fees and/or commissions charged by Presidential for its advisory services as well as for execution services as a broker-dealer may be available at a lower cost elsewhere. Clients are required to use Presidential's broker-dealer for any wrap programs offered by WFA through FCC.

Clients participating in the ETF Powerstroke program will generally have trades aggregated and receive an "average price" execution.

Occasionally, order errors may occur. When they do, Presidential corrects the error in a manner which makes the client whole. Any losses resulting from order errors are absorbed by Presidential

Item 13 – Review of Accounts

Presidential periodically reviews the performance of accounts it refers to third party money managers. Accounts managed on a discretionary basis by Presidential are reviewed regularly by IARs and on a quarterly basis by the Chief Compliance Officer based on a sample population for each of the models offered. Advisory clients may also contact Presidential with questions at any time.

Third party money managers will supply reports to Presidential and to clients referred by Presidential as described in the disclosure brochures of the respective money managers. Discretionary accounts managed by Presidential will receive statements at least quarterly from the custodians where their accounts are domiciled.

Item 14 – Client Referrals and Other Compensation.

Presidential's advisory representatives also sell securities and insurance products, in their separate capacities as registered representatives and insurance agents, for sales commissions. Some of the advice offered by advisory representatives involve investments in mutual fund products. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as a 12(b)-1 fee. The advisory representatives may receive a portion of the 12(b)-1 fee from some investment companies in their separate capacities as registered representatives. Clients should be aware that these 12(b)-1 fees come from fund assets, and thus, indirectly from client's assets. The receipt of these fees could represent an incentive for registered representatives to recommend funds with 12(b)-1 fees or higher 12(b)-1 fees over funds with no fees or lower fees, therefore creating a potential conflict of interest. While the advisory representatives of Presidential endeavor at all times to put the interest of the clients first as part of their fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of the advisory representatives when making recommendations.

Presidential may receive, from time to time, compensation in the form of marketing expense reimbursements from various Mutual fund, UIT or Insurance companies or REITs. These reimbursements may be related to Presidential's Advisory business, its activities as an Insurance Agency or as a

Broker/Dealer, and are usually a direct result of, and in proportion to, business conducted with the reimbursing company.

Presidential also benefits by recommending the programs and services of FCC and WFA. These firms provide services to Presidential which enhance Presidential's operations and support structure. For example, these firms may provide software, research, reporting capabilities, fee-billing assistance, compliance notices, account access and order entry services which, if not provided, would have to be obtained elsewhere. Because such services are provided for little or no cost, a conflict of interest exists when Presidential recommends these firms to clients for custody and brokerage services.

Solicitation Arrangements - Presidential enters into agreements with Solicitors (Referring Parties) to refer clients to Presidential. If a referred client enters into an investment advisory agreement with Presidential, a cash referral fee may be paid to the referring party, which is based upon a percentage of the client advisory fees that are generated. Presidential also enters into solicitation arrangements with other advisors or money managers to refer Presidential's clients to outside programs. Under these circumstances Presidential and/or its advisor representatives may be paid a cash referral fee, which is based upon a percentage of the client advisory fees that are generated. In either circumstance the referral agreements between any referring party and Presidential, and vice versa, will not result in any charges to clients in addition to the normal level of advisory fees charged. However, a conflict occurs any time the fees paid to the referrer are greater than fees derived by referring the client to another advisor.

Presidential's Relationship With FCC - Presidential utilizes FCC for clearing and custodial services. As a result, Presidential may receive income from FCC as it relates to these clearing and custodial services.

12(b)-1 fees in exclusive advisory programs - the "Investor" share class is not available for all funds at Rydex including those that may be used in implementing the DAA strategy. In those cases the H class will be utilized with Presidential. Rather than forgoing the 12b-1 compensation paid on these funds (the fee would still be charged with Rydex retaining the money) Presidential has opted to donate any 12b-1 fees it receives from DAAS and McBRydex accounts to charity.

Item 15 – Custody

Presidential is deemed to have custody of client assets only to the extent that it can authorize the payment of advisory fees from a client's account.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. Presidential urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Depending on the program chosen, Presidential or of its representatives may have discretionary authority limited to the trading of securities in a client's account. Other programs require the client to grant trading

authority to a third-party manager. Discretionary trading authorization must be granted in writing by the client and will be included in the advisory agreements when applicable.

The standard advisory agreements for FundSource, Masters, DMA and Compass includes language that grants Presidential discretionary authority to change managers or funds. However, Presidential does not utilize this discretionary authority except when granted under a separate written authorization.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Presidential does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Presidential may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Presidential's financial condition. Presidential has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State Registered Advisors

Executive Officers and Managers:

Daniel G. Lempe - As its founder and President he has been employed with Presidential since June 1991. He attended the University of Minnesota, Duluth from 1976-1980.

John A. DuPriest – Mr. DuPriest joined the firm as CEO in January 1998 and has served in that capacity since that time. He received a Bachelor of Arts degree in Social Sciences from the University of Denver.

Anthony J. Campen – Mr. Campen is the firm's Chief Compliance Officer and has been employed by Presidential since August 1995. He received a Bachelor of Science degree in Business Administration from California State University, Chico.

Michael W. Speer – Mr. Speer as a Vice President/Director has been employed with Presidential since April 1996. He has no post-secondary university education.

Regulatory Action Disclosure:

In 2005 Presidential Brokerage and Mr. Campen, without admitting or denying the allegations, consented to the described sanctions and to the entry of findings that: the firm, acting through Mr. Campen, reported customer complaints with inaccurate information and failed to report, or reported late, matters that

required disclosure within 10 days pursuant to NASD rule 3070; reported late amendments to forms U4 and forms U5 and did not disclose information required to be disclosed on a form U5. The findings also stated that the firm, acting through Mr. Campen, failed to establish a supervisory system, and failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable NASD rules pertaining to rule 3070 reporting, the timely and accurate filing of forms U4 and U5, and the suitability of mutual funds share class recommendations. NASD found that the firm, acting through Mr. Campen and Mr. Speer, failed to supervise the activities of registered representatives who were employing trading strategies (having acquired verbal discretion approval but not approval in written form) with customers located abroad in a manner reasonably designed to achieve compliance with NASD rules. In addition, the findings stated that the firm, acting through a former employee, recommended the purchase of mutual fund "class B" shares to customers for whom a recommendation of "class A" shares would have been economically more beneficial.

As a result of the above referenced action, Presidential Brokerage and Mr. Campen were censured, and fined \$70,000 jointly and severally (of which \$65,083.00 was allocated to reimburse public customers) and Mr. Campen was suspended from acting in a supervisory capacity for 15 business days. Additionally Mr. Speer was censured and fined \$5,000.