



## APPLICATION FOR ADVANCE HLB Option Advance

### Account:

The purpose of this application for advance ("Application") is to memorialize the terms and conditions of the transaction entered into between the Member, by its Borrowing Officer, and the Federal Home Loan Bank of Boston ("the Bank") on the Effective Date. This Application supplements, is incorporated into, and is subject to the terms and conditions of the Agreement for Advances, Collateral Pledge and Security Agreement between Member and the Bank, which together, with the specific terms and conditions of this transaction to which the Member and Bank agreed orally, constitute the legally binding agreement between the Member and the Bank. This Application shall be conclusive as to the terms of the advance and binding on the Member. Member shall be estopped from challenging the terms on any grounds and from denying its obligation to repay the advance or any interest or fees thereon. In the event that Member believes that a discrepancy exists herein, Member must immediately deliver notice to the Bank. Any notice, request, response, demand, claim or other communication required or permitted hereunder to the Bank's Advance Operations Department shall be in writing and transmitted, delivered or sent by (a) personal delivery, (b) courier or messenger service, whether overnight or same day, (c) certified United States mail postage prepaid, return receipt requested, or (d) a confirmed facsimile. The Member shall promptly execute and return this Application.

### 1. CERTAIN DEFINED TERMS - The following terms shall have the meanings given below:

Member: [ ]

Docket Number: [ ]

Effective Date: [ ] (Application Date)

Borrowing Officer: [ ] (Member's officer who agreed to this Advance)

Disbursement Date: [ ]

Amount: [ ]

Maturity Date: [ ]

Prepayment Fee Differential: [ ] Basis Points

Interest Rate: [ ]% per annum (Fixed)

Put Option Style:

- a.  **One Time Put Option.** The one time put date shall occur on the First Put Date.
- b.  **Quarterly Put Option.** Quarterly put dates shall begin on the First Put Date, and thereafter shall occur in accordance with the Put Date Schedule attached hereto (each a "Quarterly Put Date").
- c.  **Annual Put Option.** Annual put dates shall begin on the First Put Date, and thereafter shall occur in accordance with the Put Date Schedule attached hereto (each an "Annual Put Date").

First Put Date: [ ]

"Boston Banking Day" means any day on which the Bank is open for business.

### 2. GENERAL TERMS

On the Effective Date, Member applied for an advance (an "HLB Option Advance"), and the Bank and Member agreed to the following: The Bank shall provide the Member with an advance on the Disbursement Date for the Amount. The HLB Option Advance will, unless otherwise stipulated in this Application, mature on the Maturity Date or on the next Boston Banking Day if the Maturity Date is not a Boston Banking Day. The Member shall pay a fixed rate of interest, which rate shall be the Interest Rate. Interest on the HLB Option Advance will be calculated on an actual/360-day basis, payable monthly, on the second Boston Banking Day of the month, in arrears (except that any interest accrued and unpaid on the Maturity Date shall be paid on the Maturity Date).

### 3. PUT OPTION EXERCISE TERMS

- a.  One-Time Put Option.** The Bank may, at its option and in its sole discretion, require the Member to repay this advance on the First Put Date (or on the subsequent Boston Banking Day if such day is not a Boston Banking Day) provided that the Bank has given the Member at least four Boston Banking Days' written notice of its intention to exercise its option.
- b.  Quarterly Put Option.** Beginning on the First Put Date and on each Quarterly Put Date thereafter (or on the subsequent Boston Banking Day if such day is not a Boston Banking Day), the Bank may, at its option and in its sole discretion, require the Member to repay this advance provided that the Bank has given the Member at least four Boston Banking Days' written notice of its intention to exercise its option.
- c.  Annual Put Option.** Beginning on the First Put Date and on each Annual Put Date thereafter (or on the subsequent Boston Banking Day if such day is not a Boston Banking Day), the Bank may, at its option and in its sole discretion, require the Member to repay this advance provided that the Bank has given the Member at least four Boston Banking Days' written notice of its intention to exercise its option.

### 4. PREPAYMENT PROVISIONS

The Member at its option may prepay the advance prior to maturity on any Boston Banking Day, provided the Bank receives notice of prepayment by 10:00 a.m. two Boston Banking Days prior to the date of prepayment. A prepayment fee will be assessed equal to 100% of the present value of lost cash flow based upon an annual rate of Prepayment Fee Differential times the principal amount of the advance paid on a monthly basis for the expected remaining weighted average life of the advance as estimated by the Bank at its sole discretion, discounted at the "current yield on Federal Home Loan Bank securities"\* of the same remaining maturity as the expected remaining weighted average life of the advance. The prepayment fee will be charged against the Member's IDEAL Way Deposit Account on the day of prepayment. The prepayment fee shall be no less than zero. The prepayment fee shall be the amount yielded by the following formula:

$$\left( \left[ \left( 1 - \frac{1}{(1 + A/2)^{(T/6)}} \right) / A \right] \times \text{Prepayment Fee Differential} \times \text{principal} \right) + \text{Termination Cost}^{**}$$

A = "current yield on Federal Home Loan Bank securities"\* of the same maturity as the expected remaining weighted average life of the advance.

T = expected remaining weighted average life (in months), as estimated by the Bank at its sole discretion (as an exponent).

\* "Current yield on Federal Home Loan Bank securities" is defined as the yield on Federal Home Loan Bank consolidated obligations (without concessions), as estimated for the prepayment date by the Bank System's Office of Finance (fiscal agent).

\*\*"Termination Cost" may apply to any prepayment and will include any additional costs the Bank may incur (including, but not limited to the cost of terminating interest rate swaps, futures, and options contracts, extraordinary operational or legal costs, and unusual debt retirement costs) as necessary to render the Bank financially indifferent to the Member's decision to prepay.

### 5. MEMBER ACKNOWLEDGEMENT FOR HLB OPTION ADVANCE

The undersigned Member acknowledges the following in connection with accepting extensions of credit in the form of the HLB Option Advance: (i) that the undersigned representative of Member is duly authorized pursuant to the terms of the current Blanket Resolution for Advances, Letters of Credit and Interest Rate Swaps (or appropriate Certificates of Designated Persons, as applicable) between Member and the Federal Home Loan Bank of Boston ("Bank") to enter into and approve on behalf of Member advances and other extensions of credit made to Member by the Bank; (ii) that such representative is familiar with Member's level of knowledge and experience in financial and business matters as they relate to Member's ability to evaluate the merits and risks of using options, such as the one embedded in the HLB Option Advance product offered by the Bank; (iii) that the board of directors of Member has established risk management and capital policies, and that use of the HLB Option Advance has been duly authorized and approved by an appropriate officer of Member; (iv) that there are certain interest rate and liquidity risks associated with the use of the HLB Option Advance, and that there are circumstances in which use of the HLB Option Advance may increase Member's risk profile in these areas; and (v) that if the Member elects to repay the advance prior to its maturity or termination by the Bank, Member may be subject to a prepayment fee that reflects the Bank's expected loss of income on reinvested funds as well as the cost of terminating any hedge contracts associated with the prepaid amount.

