



APPLICATION FOR ADVANCE HLB Option Plus Cap 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. GENERAL TERMS

On the Effective Date, Member applied for an HLB Option Plus Cap Advance (the "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 Advance Amount. The 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 may be subject to reduction during the Lockout Period in accordance with the terms below), which rate shall be the Interest Rate. Interest on this 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).

2. 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: []

Advance Amount: []

Maturity Date: []

First Put Date: []

Prepayment Fee Differential: [] Basis Points

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

Interest Rate:

The Interest Rate for this Advance shall be determined in accordance with the provisions below:

(a) Interest Rate During the Lockout Period.

During the Lockout Period, the Interest rate for each interest period shall be fixed at [] % per annum (the "Initial Fixed Rate"); provided, however, if LIBOR is greater than the Cap Strike Rate on any Interest Rate Determination Date, the Interest Rate with respect to each interest period immediately following such Interest Rate Determination Date and continuing to the next Interest Rate Determination Date shall be reduced in accordance with the Interest Rate Reduction Formula. For avoidance of doubt, the Interest Rate shall not be less than zero at any time during the Lockout Period

For purposes hereof:

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the political subdivision so specified.

"Cap Factor" will be calculated as follows: Cap Notional Amount / Advance Amount

"Cap Strike Rate" : []

"Interest Rate Determination Date" means each LIBOR Adjustment Date occurring during the Lockout Period.

"Interest Rate Reduction Formula" will be calculated as follows:

Initial Fixed Rate – [Cap Factor * (LIBOR - Cap Strike Rate)].

"LIBOR" means the British Bankers' Association ("BBA")

Interest Settlement Rate for _____-month fixed rate deposits in U. S. dollars posted by the information vendor designated by the BBA at 11:00 a.m., London time:

- two London Business Days prior to each LIBOR Adjustment Date; or
- two New York Business Days prior to each LIBOR Adjustment Date; or
- two days which are both London Business Days and New York Business Days prior to each LIBOR Adjustment Date.

"Lockout Period" means the period commencing from, and including, the Effective Date to, and including, the First Put Date.

"LIBOR Adjustment Date" means with respect to LIBOR, the _____ day of _____, beginning _____. If any LIBOR Adjustment Date falls on a non-Boston Banking Day, the LIBOR Adjustment Date shall be deemed to be the next subsequent Boston Banking Day.

"Cap Notional Amount": []

(b) Interest Rate after the Lockout Period.

For any interest period after the Lockout Period, the Interest Rate shall be the Initial Fixed Rate.

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").

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 ADVANCE

The undersigned Member acknowledges the following in connection with accepting extensions of credit in the form of this 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 this 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 this 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 this Advance, and that there are circumstances in which use of this

Advance may increase Member's risk profile in these areas; and (v) that if the Member elects to repay this 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.

Notwithstanding any general information that the Bank may give Member about this Advance, it is understood that the Bank is not a financial or investment advisor or fiduciary to Member. Member represents that it is fully capable of evaluating both the merits and risks associated with use of this Advance and that, in fact, Member has independently reviewed these merits and risks and the suitability of this Advance for Member's use.

Member further represents that it has not relied, and will not rely, upon any analysis or advice from the Bank in assessing the risks associated with the use of this Advance. Without limiting the foregoing, Member represents that Member has not relied, and will not rely, upon any understandings with the Bank concerning the circumstances under which the Bank may or may not exercise its rights with respect to this Advance, other than those set forth in writing in the documents governing this Advance.

Member acknowledges that use of this Advance is not the result of any direct solicitation or recommendation by the Bank, but is the result of Member's request arising from the ongoing business relationship between Member and the Bank.

6. Additional Terms - Member acknowledges and agrees to the following:

- a. As a condition of making this Advance, if the Bank's capital plan or the Federal Home Loan Bank Act requires the Member to purchase additional Bank capital stock, the Bank may debit the Member's IDEAL Way Deposit Account, prior to (or after) funding this Advance, for the amount of the capital stock that Member must purchase.
- b. Member hereby authorizes the Bank to charge the Member's IDEAL Way Deposit Account for all principal and interest payments and any expenses applicable to the Advance.
- c. Advances with maturities greater than five years are deemed to be long-term advances and shall only be made for the purpose of providing funds for residential housing finance.
- d. If the Disbursement Date is later than the Effective Date, then the Bank may cancel its obligation to fund this Advance: (i) upon notice from the Member's primary regulator or insurer that the Member has been restricted from obtaining advances from a Federal Home Loan Bank; or (ii) if the Member's access to advances is restricted pursuant to statute or 12 C.F.R. § 950.4.
- e. Member will abide by all other terms and conditions set forth in the Bank's Member Products Policy (or Housing Associate Products Policy if applicable) in effect on the Effective Date and as the Bank may amend it from time to time in the future.
- f. It is expressly understood by the Member that the management, through hedges or otherwise, of any interest rate or other exposure associated with the Member's receipt of advances under this Application shall be at the Member's sole risk, expense and liability.

By signing this Application, the undersigned Signing Officer certifies that in accordance with a resolution adopted by the board of directors of the undersigned Member, a certified copy of which resolution has previously been submitted to the Bank, the officer is duly authorized to enter into and approve on behalf of Member advances and other extensions of credit made to Member and is therefore authorized to execute this Application and thereby confirm the transaction.

**AGREED AND ACKNOWLEDGED
MEMBER**

By: _____ (Signature) _____ (Date Signed)

_____ (Typed Name) _____ (Title)

Account: **Docket:**