



APPLICATION FOR ADVANCE Knock-Out Advance with a Strike Rate

Account:

The purpose of this application ("Application") is to memorialize the terms and conditions of the transaction entered into between the Member (defined below) and the Federal Home Loan Bank of Boston ("the Bank"). 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 ("Master Agreement"), 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's Operations Department.¹ Such notice must describe the discrepancy in adequate detail. **The Member shall promptly return this Application.**

1. REFERENCES AND DEFINED TERMS:

Member: ("Member")

Date Application Issued:

Contact:

Amount:

Interest Rate: % per annum

Effective Date:

Strike Rate: % per annum

Maturity Date:

Strike Index: 3 Month LIBOR (unless otherwise indicated below)

First Strike Day:

- 1 Month LIBOR
- _____
(See Telerate page 3750)

Strike Period : Quarterly (unless otherwise indicated):

Prepayment Fee Defined in 4. below

Interest Period: Monthly

Prepayment Fee Differential Basis Points

2. SUMMARY OF ADVANCE:

(Capitalized terms not otherwise defined shall have the meaning given them in the Section 1. above): The Bank and Member have agreed that the Bank shall provide the Member with a Knock-out Advance with a Strike Rate ("the Advance"), pursuant to, and subject to, the terms of the Master Agreement between the Bank and Member now on file with the Bank. By delivery and execution of this Application, the Bank hereby confirms its agreement to the terms of the Advance as of the Effective Date.

The Advance was disbursed on the Effective Date and is for the Amount. The Advance shall accrue interest at the Interest Rate on the basis of actual days elapsed in a year of 360 days. Interest is payable in immediately available funds on the second Boston Banking Day² of each Interest Period from the Effective Date to the Maturity Date and on the Maturity Date, absent the occurrence of a Knock-out.

¹ Any notice, request, response, demand, claim or other communication required or permitted hereunder 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 to the Bank's Director of Operations with a copy to the general Counsel.

² A "Boston Banking Day" is defined as any day in which the Bank is open for business.

3. KNOCK-OUT:

The Advance shall mature and all principal and interest shall be payable in immediately available funds upon a Knock-out. A Knock-out shall occur on any Strike Day if the interest rate of the Strike Index, as observed four London Business³ days prior to a Strike Day, equals or exceeds the Strike Rate. A Strike Day shall occur: (1) on the First Strike Day; and (2) thereafter, once each Strike Period on the same day of the last month in the Strike Period as the First Strike Day, except that, if the same day of the month is not a Boston Banking Day, then the Strike Day shall be the next Boston Banking Day. If the Strike Period is quarterly, then "the same day of the month" in the preceding sentence shall mean the same day of the third month after the month in which the preceding Strike Day fell; if annually, then the same day of the twelfth month; etc. If the Strike Period indicates that only one Strike Day shall occur, then there shall be no additional Strike Days.

4. PREPAYMENT:

The Member may, at its option, 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 the Prepayment Fee Differential times the principal amount of the advance paid on a monthly basis for the remaining life of the advance, discounted at the "current yield on Federal Home Loan Bank securities"* of the same remaining maturity as that remaining on the advance. The prepayment fee will be charged against a member's IDEAL Way Deposit Account on the day of prepayment. The prepayment fee shall be no less than zero. The formula for determining the prepayment fee is:

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

A = "Current yield on Federal Home Loan Bank securities" of same maturity as that remaining on advance. 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).

T = Remaining maturity (in months) (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. REPRESENTATIONS AND WARRANTIES: Member hereby represents and warrants that Member:

- (a) Is not in default under the Master Agreement;
- (b) Has full corporate power and authority, and has received all necessary corporate and governmental authorizations and approvals, to enter into and perform its obligations under this Application and any Schedule hereto;
- (c) Will maintain the terms of this Application, all Schedules, and the Advances made pursuant to this Application on its corporate books and records;
- (d) Maintains, and will continue to maintain, sufficient Qualifying Collateral, free and clear of any competing security agreement, security interest, lien, financing statement, or other encumbrance, to secure fully all outstanding Advances and

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The term "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.

other credit products, as required by the Master Agreement, the Member Products Policy of the Bank, the regulations of the Federal Housing Finance Board, and the Federal Home Loan Bank Act;

6. ACKNOWLEDGEMENT:

The undersigned Member acknowledges the following in connection with accepting extensions of credit in the form of the Knock-Out Advance that:

- (i) 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), to enter into and approve on behalf of Member advances and other extensions of credit made to Member by the Bank; (ii) 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 associated with the risk of a Knock-Out advance; (iii) The board of directors of Member has established risk management and capital policies, and that use of the Knock-Out Advance has been duly authorized and approved by an appropriate officer of Member; (iv) There are certain interest rate and liquidity risks associated with the use of the Knock-Out Advance, and that there are circumstances in which use of the Knock-Out Advance may increase Member's risk profile in these areas; and (v) 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.

Notwithstanding any general information that the Bank may give Member about the Knock-Out 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 the Knock-Out Advance and that, in fact, Member has independently reviewed these merits and risks and the suitability of the Knock-Out 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 the Knock-Out 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 the Knock-Out Advance, other than those set forth in writing in the documents governing the Knock-Out Advance.

Member acknowledges that use of the Knock-Out 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.

7. OTHER: 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 date of this agreement, then the Bank may cancel its obligation to fund the advance: 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 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 disbursement date and as the Bank may amend it from time to time in the future.

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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 for Advance 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)

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