



**APPLICATION FOR ADVANCE
HLB Convertible Option Advance
(Floater to Fixed with One Time, Quarterly or Annual Put Date(s))**

Account:

(Effective Date)

To the Federal Home Loan Bank of Boston:

Pursuant to, and subject to, the terms of an Agreement for Advances, Collateral Pledge and Security Agreement now on file with the Federal Home Loan Bank of Boston ("Bank"), the undersigned Member hereby applies for an advance in the amount of _____ which will have the terms specified herein and will mature _____ unless otherwise stipulated in this Application for Advance (the "Application"), or on the subsequent Boston Banking Day if the maturity date is not a Boston Banking Day. A "Boston Banking Day" is defined as any day on which the Bank is open for business. Interest on advances is calculated on an actual/360-day basis, payable monthly, on the second Boston Banking Day of the month, in arrears (except that, at maturity, all interest accrued and previously unpaid shall be paid).

The undersigned officer hereby certifies that in accordance with a resolution adopted by the board of directors of the undersigned Member, a certified copy of which resolution has heretofore been submitted or is hereto attached, the officer is authorized to apply to the Bank for this advance.

It is agreed, as a condition of making said advance, that, if pursuant to the Federal Home Loan Bank Act the Member is required to purchase additional capital stock of the Bank, the Bank may require the purchase of such capital stock prior to the funding of this advance. The Bank may debit the Member's IDEAL Way Deposit Account for the amount of the capital stock.

Interest:

It is agreed as a condition of making said advance that the Member will pay interest as follows:

a) The initial interest rate on the advance is _____ % per annum. The interest rate will be adjusted on the _____ day of _____, beginning and continuing through _____. If any adjustment falls on a non-Boston Banking Day the adjustment date shall be deemed to be the next subsequent Boston Banking Day. The adjusted rate will be _____ - month LIBOR, _____ basis points. The LIBOR rate of interest for each relevant interest period will be 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 rate adjustment date; or
- two New York Business Days prior to each rate adjustment date; or
- two days which are both London Business Days and New York Business Days prior to each rate adjustment date.

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.

b) Thereafter, if the Bank does not exercise its put option on the First Put Date, the interest rate for the remaining term of the advance will be fixed at a rate of _____ % per annum.

2. Put Options:

a. First Put Date:

b. Put Option Style:

1) **One Time Put Option.** The one time put date shall occur on the First Put Date.

2) **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").

3) **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").

c. Put Option Exercise Terms:

1) **One Time Put Option.** On the First Put Date (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 said advance provided that the Bank has given the Member at least four Boston Banking Days' written notice of its intention to exercise its option.

2) **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.

3) **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.

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 basis points 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:

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

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

4. Acknowledgement:

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

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

Member acknowledges that use of the HLB Convertible Option 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.

5. Additional Terms: Member acknowledges and agrees to the following:

As a condition of making this HLB Convertible Option 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.

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.

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.

If the disbursement date is later than the Effective Date, then the Bank may cancel its obligation to fund the 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.

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.

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)