FHLBank Topeka | LETTER *of* CREDIT

COLORADO | Letter of Credit Materials
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FHLBank's S&P rating document

Statute and Guidelines indicating acceptance of FHLBank Topeka's Letter of Credit
http://www.dora.state.co.us/Banking/rules&regulations/publicdeposit/pdp3.pdf
See A-12

If you have questions about any of the materials, please contact Lending at 800.809.2733 or FHLB.Lending@fhlbtopeka.com.

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Summary of FHLBank Topeka's Letter of Credit Guidelines

Letter of Credit Policy

General

A letter of credit with a term to expiration of up to 10 years (or 20 years with interest rate swaps) may be issued to a beneficiary on a member's behalf to ensure payment by FHLBank Topeka (FHLBank) of drafts presented by the beneficiary when drawn in compliance with the terms of the letter of credit.

Letter of Credit Uses

According to 12 CFR Part 1269.2(a), Federal Home Loans Banks may issue letters of credit on behalf of members for the following purposes:

1. To assist members in facilitating residential housing finance or other activities that support the development or construction of residential housing. Residential housing finance is defined as the following:
   a. Loans secured by residential real property
   b. Mortgage-backed securities
   c. Participations in loans secured by residential real property
   d. Loans or investments providing financing for economic development projects for targeted beneficiaries
   e. Loans secured by manufactured housing, regardless of whether such housing qualifies as residential real property
   f. Any loans or investments which FHFA, in its discretion, otherwise determines to be residential housing finance assets
2. To assist members in facilitating community lending
3. To assist members with asset/liability management
4. To provide members with liquidity or other funding

Common Uses

- **Housing Related**
  To facilitate the purchase, sale or origination of housing-related mortgage loans. A letter of credit may also be used in housing construction where the credit functions as a performance bond.

- **Public Unit Deposit Collateralization**
  When a public deposit exceeds the amount of insurance coverage provided by the member's deposit insurer or to certify that the public depositor is adequately secured.

- **Interest Rate Swaps and Other Risk Management Uses**
  To assure the member's counterparty of payments due should a payment default occur.

- **Asset/Liability Management**
  To assist with a member's asset/liability management.

- **Tax Exempt Bonds**
  To support tax-exempt bond transactions that promote housing development or the financing of commercial and economic development activities that benefit low- and moderate-income families or activities that are located in low- and moderate-income neighborhoods.

- **Other Housing Activity**
  To support transactions that promote housing development and home financing or financing of commercial and economic development activities that benefit low- and moderate-income families or activities that are located in low- and moderate-income neighborhoods.

Available Maturities
A letter of credit may be issued with maturities up to 10 years (20 years for interest rate swaps).

Pricing
A letter of credit is priced at 1/8 percent per annum or a minimum $125, charged annually, for a simple and straightforward arrangement deemed by FHLBank to be a "clean" letter of credit. Other letters of credit, specifically letters of credit issued to enhance bond issues, will be charged 3/8 percent per annum or a minimum fee of $500. Fees will be prorated for periods less than one year.

Application Procedure
To enter into a letter of credit with FHLBank, members should contact their account manager or FHLBank's Lending department to discuss the proposed transaction. A member desiring FHLBank to issue a letter of credit will execute a Standby Irrevocable Letter of Credit Application. The Letter of Credit Agreement between the member and FHLBank will be subject to the Advance, Pledge and Security Agreement and the other documents incorporated into that agreement by reference.

Summary

Features:
- Available in terms up to 10 years (20 years for interest rate swaps)
- Priced 1/8% per annum or minimum of $125 annually for a simple letter of credit; priced 3/8 % per annum or a minimum of $250 annually for a confirming letter of credit
- Off-balance sheet accounting treatment
- Same collateral requirements as advances

Benefits:
- Highly rated letter of credit
- Replaces cumbersome collateral agreements and arrangements
- Economically priced
- Reduces safekeeping expenses
- Easy to use and access
- Opens up additional investment opportunities and provides flexibility

Uses:
- Collateralization of deposits
- Purchase of, or commitment to purchase, mortgage loans where the letter of credit serves as performance bond
- Activities that assist asset/liability management such as issuance of medium term notes or commercial paper
- Other transactions that promote home financing of housing activity

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Letter of Credit Agreement

This Letter of Credit Agreement (Agreement) is made by and between _____ _____ (Institution) and the Federal Home Loan Bank of Topeka (FHLBank).

WITNESSETH:

WHEREAS, the Institution may, from time to time, make application to FHLBank to issue one or more of its irrevocable standby letters of credit (hereinafter referred to as a Letter of Credit or Letters of Credit); and

WHEREAS, the Institution may, from time to time, make application to FHLBank to confirm one or more letters of credit issued by the Institution (hereinafter Confirmation or Confirmations);

NOW, THEREFORE, in consideration of the premises and in order to induce FHLBank to issue Letters of Credit or Confirmations, the Institution and FHLBank agree as follows:

1. Advance Agreements
The Institution and FHLBank have entered into an Advance, Pledge and Security Agreement (Advance Agreement) dated _____, _____, governing extensions of credit made by FHLBank to the Institution. The Institution hereby represents and warrants to FHLBank that the Advance Agreement is in effect and fully enforceable according to its terms. The Advance Agreement is hereby incorporated herein, and this Agreement and each Letter of Credit and Confirmation issued by FHLBank pursuant to this Agreement are hereby made subject to the Advance Agreement.

2. Application and Issue
The Institution shall submit an Application to FHLBank for each Letter of Credit or Confirmation to be issued in such form as FHLBank shall specify from time to time. Upon approval of the application, FHLBank shall issue a Letter of Credit or Confirmation in such form as may be requested by the Institution and agreed to by FHLBank. This Agreement does not constitute a commitment by FHLBank to issue Letters of Credit or Confirmations for the Institution. FHLBank, in its sole discretion, may deny any application made by the Institution for the issuance of a Letter of Credit or Confirmation.

3. Reimbursement
Any amounts paid by FHLBank upon presentment of drafts under or purporting to be under any Letter of Credit or Confirmation shall be reimbursed by the Institution unconditionally and immediately upon demand by FHLBank. Demands for reimbursement may be made in person or by telephone, facsimile, overnight courier or other means reasonably chosen by FHLBank to provide notice to the Institution. Any reimbursement not made immediately by the Institution upon receipt of demand shall constitute a default under the Advance Agreement with the amount of such reimbursement due being considered an advance in default from and after the time such amount was paid by FHLBank. Nothing herein shall prevent the Institution from applying for an advance from FHLBank for the funding of such reimbursement.

4. Charges
In addition to the reimbursements required by Section 3 above, FHLBank shall charge and the Institution agrees to pay: (i) such fees as FHLBank may from time to time establish for the issuance of Letters of Credit or Confirmations hereunder, (ii) such fees, costs and expenses as FHLBank may incur in connection with each transfer of a Letter of Credit or Confirmation; and (iii) any and all other charges and expenses that FHLBank may pay or incur relative to any Letter of Credit or Confirmation and any and all reasonable expenses incurred by FHLBank in enforcing any rights

under this Agreement. FHLBank is hereby authorized to charge any amounts due under the Agreement to the Institution's demand deposit account or accounts with FHLBank.

5. Terms and Conditions
The Letters of Credit or Confirmation issued hereunder shall be subject to such terms and conditions as FHLBank may specify from time to time. FHLBank, with the consent of the Institution, may modify any terms of a Letter of Credit or Confirmation requested by the Institution and issue the Letter of Credit or Confirmation as so modified. FHLBank shall be under no obligation to dishonor any request for payment presented under a Letter of Credit or Confirmation hereunder that on its face complies with any conditions for payment unless the Institution shall have first obtained an injunction in a court of competent jurisdiction against such payment.

6. Security
Letters of Credit or Confirmations issued shall be fully collateralized to the same extent and in the same manner as an advance made pursuant to the Advance Agreement and the Member Products Policy of FHLBank, as may be amended from time to time. Such collateral shall secure the Institution's obligations under this Agreement without further consideration other than FHLBank's issuance of a Letter of Credit or Confirmation.

7. Indemnification
The Institution agrees to indemnify FHLBank and hold it harmless from any and all losses, costs, damages and liability, including litigation costs and expenses, arising from this Agreement or from any Letters of Credit or Confirmations issued hereunder, except such as may be directly caused by the willful misconduct or gross negligence of FHLBank or its employees or agents.

8. FHLBank's Obligations
FHLBank's obligations and liability under this Agreement and any Letter of Credit or Confirmation issued hereunder shall be governed by and limited as provided in Section 5.3 of the Advance Agreement and as otherwise provided herein. FHLBank shall have no responsibility to investigate as to the accuracy or truth of any facts stated in any documents presented under any Letter of Credit or Confirmation. Delivery of any Letter of Credit or Confirmation to the beneficiary or any other party shall be the sole responsibility of the Institution once FHLBank has delivered the Letter of Credit or Confirmation to the mail or other carrier or agent appointed by the Institution. The issuance of a Letter of Credit or Confirmation hereunder shall in no way create an obligation or liability of FHLBank on any underlying agreement between the Institution and any other party. FHLBank shall not be liable or responsible for any knowledge or lack of knowledge of any usage or customer of a particular trade or for the acts or omissions of any persons other than its own employees hereunder.

9. Other Agreements
The Institution agrees to execute and deliver such other documents in such form as FHLBank may reasonably require in connection with any Letter of Credit or Confirmation issued hereunder, including but not limited to waivers, modifications, indemnities, assignments and notices.

10. Termination of Membership
This Agreement shall terminate upon the voluntary or involuntary withdrawal from membership in FHLBank by the Institution by merger or otherwise. No such termination shall affect the liability of any parties on any Letters of Credit or Confirmations which have been issued and delivered to a beneficiary prior to such termination; however, at the option of FHLBank, any termination shall render null and void any unexpired Letters of Credit or Confirmations which have been issued but which have not been delivered to a beneficiary. The Institution agrees that upon such termination, if any Letters of Credit or Confirmations are then outstanding hereunder, it shall maintain with FHLBank deposits or other collateral in such amount and form as FHLBank shall require securing the outstanding Letters of Credit or Confirmations.

11. Applicable Law; Severability

This Agreement and all advances granted under this Agreement shall be governed by the statutory and common law of the United States and, to the extent federal law incorporates or defers to state law, the laws (exclusive of choice of law provisions) of the State of Kansas. Notwithstanding the foregoing, the Uniform Commercial Code as in effect in the State of Kansas shall be deemed applicable to this Agreement. In the event that any portion of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Agreement that can be given effect without the conflicting provision, and to this end the provisions of the Agreement are declared to be severable.

12. Headings
Section headings in this Agreement are included herein for convenience of reference only and are not to affect the Agreement's construction or be taken into consideration in interpreting it.

13. Entire Agreement; Amendments
This Agreement embodies the entire agreement and understanding between the parties relating to its subject matter and supersedes all prior agreements between the parties, and all oral and written statements by either party, that relate to its subject matter. No modification or amendment of any provision of this Agreement shall be effective unless it is in writing and executed by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Letter of Credit Agreement to be duly executed and delivered by their respective representatives as of the date first above-written.

Institution

By: _____
Authorized Signature

_____
Typed Name and Title

Attest: _____

_____
Secretary

Federal Home Loan Bank of Topeka
One Security Benefit Pl, Suite 100
PO Box 176
Topeka, KS 66601-0176

By: _____
Authorized Signature

_____
Typed Name and Title

_____
Date

FHLBank Topeka | LETTER *of* CREDIT

Standby Irrevocable Letter of Credit Application

Institution: _____

Address: _____

_____

Pursuant to, and subject to, the terms of the Letter of Credit Agreement and the Advance, Pledge and Security Agreement now on file with the Federal Home Loan Bank of Topeka (FHLBank), the undersigned Institution hereby applies for a standby irrevocable letter of credit for the Institution's account in the amount of $_____.

In accordance with FHLBank policy governing fees for letters of credit, FHLBank is hereby authorized to charge the Institution's demand deposit account number _____ for the fees associated with this letter of credit (subject to minimum fees as identified in FHLBank's Member Products and Services Guide). If the Letter of Credit to be issued hereunder is for a term greater than one year, FHLBank is further authorized to charge the Institution's demand account for the required fees on each anniversary date.

You are instructed to issue the letter as follows:

1. Date letter of credit is to be issued: _____

2. In favor of:

   Beneficiary's full name: _____

   Beneficiary's full address: _____

   Beneficiary's contact name: _____

   Beneficiary's phone number: _____

3. Available: (check one)

   ☐ without conditions

   ☐ with conditions (specify conditions below)

Conditions will be stated in the Drawing Certificate used by the Beneficiary when making draws under the letter. FHLBank, however, has no duty or obligation to investigate whether the conditions stated in the Drawing Certificate are true.

Conditions permitting a draw and/or other special instructions:

_____

_____

4. Expiration date of the Letter of Credit: _____ (Must be a valid business day.)

5. Multiple draws are to be: (check one)

☐ permitted

☐ prohibited

(If permitted, the unused balance of the Letter of Credit will remain available until the stated expiration date.)

Certification:

Please indicate the purpose for which the Letter of Credit will be used: (check one)

☐ Public unit deposit collateralization

☐ Facilitating residential housing finance

☐ Facilitating community lending (CICA approval required)

☐ Asset/liability management (please describe below)

_____

☐ Liquidity or other funding (please describe below)

(The Institution hereby certifies that it is in compliance with all laws and regulations in regards to the collateralization of deposits.)

_____

The Institution: (check one)

☐ is not bound by any agreements, plans or other operating instructions with a regulatory agency.

☐ is operating pursuant to some type of plan, agreement or restrictions with a regulatory agency. (Please describe on attachment.)

The undersigned is an authorized representative of the Institution and has read and understands the Member Products and Services Guide of FHLBank and certifies the Institution to be in full compliance. Furthermore, the Institution agrees to maintain full compliance with the Member Products and Services Guide, including any revisions and changes to same, while the Letter of Credit is outstanding.

By: _____

Authorized Signature

_____

Typed Name and Title

Date: _____

FHLBank Topeka | LETTER *of* CREDIT

Letter of Credit Application Instructions | Colorado

Please complete the Standby Irrevocable Letter of Credit Application (Application) for each Letter of Credit you wish to have issued. The information provided in the Application will be used to complete your Letter of Credit (see "Sample Letter"). These instructions will guide you through the Application.

Begin by completing the section at the top with your institution's name and address. The two blanks in the following paragraphs ask for the amount of the letter of credit and your institution's demand deposit account number.

1. **Date letter of credit is to be issued:** Fill in the date that you would like the letter issued.

2. **In favor of:** Provide the beneficiary's name and address.

3. **Available without/with conditions:** Most letters of credit are issued ***without conditions***. If you would like a draw on the letter of credit to occur only under special conditions, please check **with conditions**. Please specify those conditions.

4. **Expiration date of the letter of credit:** Fill in the date you wish the letter to expire. This date must be a valid business day.

5. **Multiple draws are to be permitted/prohibited:** Indicate multiple draws are **permitted** if you wish to have only the necessary portion of the letter of credit remitted to the beneficiary at the time of a draw(s). The unused balance of the letter of credit will remain available until the expiration date. *The beneficiary will not be allowed to make multiple draws in excess of the amount of the letter of credit.*

   Indicating multiple drawings are **prohibited** requires the entire amount of the letter of credit to be drawn by the beneficiary.

Certification:

- Indicate the purpose for which the letter of credit will be used.
- Indicate whether your institution is bound by any agreements, plans or other operating instructions and if so describe on an attachment.

Complete the Application by signing and dating the blanks provided. The Application must be signed by an individual who is authorized to borrow. Keep a copy of the Application for your files, and mail or fax the original Application to:

Lending Department
Federal Home Loan Bank of Topeka
One SW Security Benefit Place, Suite 100
Topeka, Kansas 66606
FAX: 785.234.1723

***** S A M P L E *****

IRREVOCABLE LETTER OF CREDIT

BENEFICIARY:

LOCAL ENTITY
Address
City, State, Zip

Letter of Credit No. [NO.] **Effective Date:** [DATE]

We hereby establish our irrevocable letter of credit in your favor, for the account of [MEMBER INSTITUTION], whereby we hereby irrevocably authorize you to draw on us from time to time up to a maximum aggregate amount of US$[Dollar Amount], [(Written Dollar Amount)]. Multiple draws are permitted as long as they do not exceed, in the aggregate, the maximum amount of this letter of credit. The Expiration Date of this letter of credit is [Date].

A draw under this letter of credit must be made by presenting to us at the location identified below a certificate (Drawing Certificate) in the form of Exhibit A (with all blanks appropriately completed). No further documentation, including this letter of credit, shall be required to make a draw, it being understood that a Drawing Certificate is to be the sole operative instrument of drawing.

This letter of credit is not transferable or assignable.

To the extent not inconsistent with the express terms hereof, this letter of credit is issued subject to the International Standby Practices 1998, International Chamber of Commerce Publication 590 (ISP98). As to matters not governed by ISP98, this letter of credit is subject to the laws of the State of Colorado, including without limitation the Colorado Uniform Commercial Code.

A Drawing Certificate must be presented to us at our offices at One S.W. Security Benefit Place, Suite 100, Topeka, Kansas 66606 by physical delivery or by facsimile (at facsimile number 785.234.1723). A draw received by us on or before the Expiration Date and in compliance with the terms of this letter of credit will be duly honored by us. If a drawing is presented to us before 11 a.m., Central Time, payment will be made to you to the account number or address designated by you of the amount specified, in immediately available funds, on the same business day. If a drawing is presented to us after 11 a.m., Central Time, payment will be made to you to the account number or address designated by you of the amount specified, in immediately available funds, on the following business day. “Business day” means any day that the Federal Reserve Bank of Kansas City is open for business.

This letter of credit sets forth in full the terms of our obligations to you, and such undertaking shall not in any way be modified or amended by reference to any other document herein or by reference to this letter of credit in any other document.

By accepting this letter of credit, you hereby irrevocably submit to the sole and exclusive jurisdiction of the federal and state courts within the State of Colorado if any claim or dispute may arise with respect to this letter of credit.

Sincerely,

Federal Home Loan Bank of Topeka

By_____
Authorized Signature

EXHIBIT A
DRAWING CERTIFICATE
Letter of Credit No. [NO.]

Federal Home Loan Bank of Topeka
One S. W. Security Benefit Place, Suite 100
Topeka, KS 66606
Attention: Lending

Sir or Madam:

The undersigned individual, a duly authorized representative of the _____ (Beneficiary), on behalf of the Beneficiary hereby makes a draw in the amount of $_____ on that certain Irrevocable Letter of Credit No. [NO.] dated [DATE] (Letter of Credit), issued by the Federal Home Loan Bank of Topeka in favor of the Beneficiary.

You are hereby directed to make payment of such amount to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

_____
Local Entity

By_____

_____
Typed Name and Title

STANDBY LETTERS OF CREDIT

A Safe and Guaranteed Pledging Tool

FHLBank Topeka

STANDBY LETTERS *of* CREDIT

FHLBank Topeka

SALES: 800.933.2988
LENDING: 800.809.2733

FHLBANK TOPEKA'S HIGHLY RATED LETTER OF CREDIT GUARANTEES THE SAFE RETURN OF NON-INSURED FUNDS TO PUBLIC UNIT DEPOSITORS.

The FHLBank Topeka **STANDBY LETTER** *of* **CREDIT** is issued, in place of pledging investment collateral, to the municipality or state that is depositing funds with your institution. The amount issued is what is needed to support deposit amounts in excess of the maximum FDIC-insured amount.

Our Letters of Credit are authorized forms of collateral for public unit deposits in Colorado, Kansas, Nebraska and Oklahoma.

HOW DOES MY INSTITUTION BENEFIT?

Our Standby **LETTER** *of* **CREDIT** *gives you more flexibility in managing investments as well as in how you collateralize public unit deposits.*

- Strengthens depository relationships by guaranteeing the return of funds
- Promotes higher yields on assets by allowing the allocation of fewer portfolio dollars to investments in low-yielding Treasury and agency securities, and greater allocation to higher-yielding securities and loans
- Eliminates the task of monitoring investment maturities, calls and fluctuations in market values because our Standby Letter of Credit value never changes
- Reduces paperwork and administrative fees associated with pledging and releasing securities and replacing maturing or called instruments

LOW FEES

- Standby Letters of Credit for securing public deposits are charged 0.125% per annum on the day of issue ($125 minimum fee)
- Fees on Standby Letters of Credit of $5 million or more may be charged on a quarterly basis

> The FHLBank Topeka Standby Letter of Credit is a valuable product for First United Bank & Trust. It is an additional example of how important the FHLBank is to smaller community banks, allowing us to offer the services to compete in the marketplace with larger financial service institutions.
>
> **GREG MASSEY** | President and CEO | First United Bank & Trust, Durant, OK

ACCESSING OUR LETTERS OF CREDIT

FHLBank Topeka's **LETTER** *of* **CREDIT** *is easy to use and guarantees your public unit depositors the safe return of their non-insured funds. To obtain our Standby Letter of Credit, complete the following forms located at* www.fhlbtopeka.com/letters, *or contact your lending officer or account manager.*

- Letter of Credit Agreement: governs all Letters of Credit issued on your behalf
- Standby Irrevocable Letter of Credit Application: complete for each Letter of Credit you'd like issued

ABOUT **FHLBANK TOPEKA**

FHLBANK TOPEKA is one of 11 Federal Home Loan Banks that accesses the capital markets to provide liquidity and funding for our members. The cooperative nature of FHLBank Topeka, which is owned by our member financial institutions, allows us to offer products that give our members a competitive advantage. With $46.5 billion in total assets and $2 billion in capital, FHLBank Topeka is a strong, reliable source of liquidity for our members in Colorado, Kansas, Nebraska and Oklahoma.

ACCOUNT MANAGERS

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FHLBank Topeka

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www.fhlbtopeka.com

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STANDBY LETTERS *of* CREDIT

An Alternative Source of Collateral for Public Unit Depositors

FHLBank Topeka

FHLBank Topeka's highly rated **LETTER** *of* **CREDIT** guarantees the safe return of non-insured funds to public unit depositors.

Standby **LETTERS** *of* **CREDIT**, *issued on behalf of FHLBank Topeka's financial institution members, provide recourse in the event that our member institutions would default or fail to perform under a contract or other agreement between the institutions and public unit depositors.*

ABOUT FHLBANK TOPEKA

FHLBank Topeka, one of 11 Federal Home Loan Banks, accesses public credit markets by selling consolidated credit instruments that are the joint and several liabilities of all 11 banks. The cooperative nature of FHLBank Topeka, which is owned by our member financial institutions, allows us to offer products that give our members a competitive advantage. FHLBank Topeka serves members in Colorado, Kansas, Nebraska and Oklahoma.

- Highly rated financial institution
- Comprised of commercial banks, thrifts, credit unions and insurance companies
- $45.2 billion in total assets
- $2 billion in capital

STANDBY LETTERS *of* CREDIT

FHLBank Topeka's irrevocable Standby Letter of Credit is issued in place of investment collateral to the state or political entity that is depositing funds in the financial institution. FHLBank Topeka has the highest short-term rating from Moody's Investor Services and Standard and Poor's, making our Standby Letter of Credit a safe and widely accepted form of collateral for public unit depositors. We secure public unit deposits in Colorado, Kansas, Nebraska and Oklahoma. The amount the letter is issued for is the amount needed to support deposits in excess of the FDIC-insured limit.

BENEFITS TO PUBLIC UNIT DEPOSITORS

- Ensures the safety of your deposits – in the event that our member financial institution is unable to provide your funds, FHLBank Topeka would provide funds up to the amount specified in the issued standby Letter of Credit
- Eliminates your task of monitoring investment maturities, calls and fluctuations in market values because our Standby Letter of Credit value never changes
- Reduces paperwork associated with pledging and releasing securities and replacing maturing or called instruments
- Widely accepted by more than 1,300 state and local municipalities within the Tenth District

FHLBANK LENDING | **800.809.2733**
PO Box 176 | Topeka, KS | 66601-0176 | **www.fhlbtopeka.com**

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