



CONFIRMATION OF TERMS HLB Option Plus Cap Advance

ACCOUNT: _____

(Date of Request)

DOCKET NUMBER: _____

(Disbursement Date)

[MEMBER]
[ADDRESS]
[ATTENTION]

The purpose of this Confirmation of Terms (this "Confirmation") is to memorialize certain of the terms and conditions applicable to the borrowing by you ("Member") of an advance (the "Advance") from the Federal Home Loan Bank of Boston (the "Bank"), as further described below. This Confirmation supplements, is incorporated into, and is subject to the terms and conditions of the Agreement for Advances, Collateral Pledge and Security Agreement between the Bank and Member (as amended from time to time, the "Advances Agreement"). This Confirmation shall be binding on Member in accordance with the terms of the Advances Agreement.

1. General Terms

On the Disbursement Date, the Bank will disburse to Member the Advance in the amount of \$.00 (the "Advance Amount"). Such Advance will have the terms specified herein, and will mature, unless otherwise stipulated in this Confirmation, and all principal will be paid in full, on _____ (the "Maturity Date"), or on the next Boston Banking Day if the Maturity Date is not a Boston Banking Day.¹

2. Interest

Interest on the Advance is calculated on an actual/360-day basis, payable monthly on the second Boston Banking Day of the month, in arrears (except that, on the Maturity Date, all interest accrued and previously unpaid shall be paid, unless payable sooner in accordance with the terms of this Confirmation).

(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 the 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 the avoidance of doubt, the Interest Rate shall not be less than zero at any time during the Lockout Period.

For purposes of determining the Interest Rate during the Lockout Period, the following definitions shall apply:

"**Cap Factor**" means a factor determined by the following formula:

$$\text{Cap Factor} = \text{Cap Notional Amount} / \text{Advance Amount.}$$

"**Cap Notional Amount**" means: \$ _____

"**Cap Strike Rate**" means: _____ %

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

¹ A "Boston Banking Day" is defined as any day on which the Bank is open for business.

“Interest Rate Reduction Formula” means the following formula:

$$\text{Interest Rate} = \text{Initial Fixed Rate} - [\text{Cap Factor} \times (\text{LIBOR} - \text{Cap Strike Rate})].$$

“LIBOR” means the ICE Benchmark Administration Limited (“ICE”) Interest Settlement Rate for -month fixed rate deposits in U.S. dollars posted by the information vendor designated by the ICE at 11:00 a.m., London time two (2) Business Days² prior to each LIBOR Adjustment Date.

“LIBOR Adjustment Date” means with respect to LIBOR, the day of , beginning , and continuing through . If any LIBOR Adjustment Date falls on a non-Boston Banking Day, the LIBOR Adjustment Date shall be deemed to be the next Boston Banking Day. If any LIBOR Adjustment Date would be the 31st day of a month but the applicable month does not have a 31st day (and, in the case of February, the 29th or 30th day), the LIBOR Adjustment Date shall be deemed to be the last calendar day of that month, or the next Boston Banking Day if the last calendar day of that month is not a Boston Banking Day.

“Lockout Period” means the period commencing from, and including, the Disbursement Date to, and including, the Boston Banking Day immediately preceding the First Put Date (as defined below).

(b) *Interest Rate After the Lockout Period*

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

3. **Put Options**

(a) First Put Date:

(b) Put Option Style:

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

- One Time Put Option.** Notwithstanding anything to the contrary in this Confirmation, on the First Put Date (or on the next Boston Banking Day if such day is not a Boston Banking Day), the Bank may, at its option and in its sole discretion, require Member to repay the Advance, in whole or in part, provided that the Bank has given Member at least four (4) Boston Banking Days’ written notice of its intention to exercise its option.
- Quarterly Put Option.** Notwithstanding anything to the contrary in this Confirmation, on each Quarterly Put Date (or on the next Boston Banking Day if any such day is not a Boston Banking Day), the Bank may, at its option and in its sole discretion, require Member to repay the Advance, in whole or in part, provided that the Bank has given Member at least four (4) Boston Banking Days’ written notice of its intention to exercise its option.
- Annual Put Option.** Notwithstanding anything to the contrary in this Confirmation, on each Annual Put Date (or on the next Boston Banking Day if any such day is not a Boston Banking Day), the Bank may, at its option and in its sole discretion, require Member to repay the Advance, in whole or in part, provided that the Bank has given Member at least four (4) Boston Banking Days’ written notice of its intention to exercise its option.

4. **Prepayment Provisions**

² A “Business Day” is defined as 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.

Member may, at its option, prepay the Advance, in whole or in part, prior to maturity on any Boston Banking Day, provided the Bank receives irrevocable notice of prepayment by 12:00 p.m. (EST) two (2) Boston Banking Days prior to the date of prepayment and provided further that any partial prepayment shall be in a minimum amount of \$100,000 and integral multiples of \$100,000 in excess thereof. 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 that is prepaid paid on a monthly basis for the expected remaining weighted average life of the Advance as estimated by the Bank in its sole discretion, discounted at the “current yield on Federal Home Loan Bank securities”³ of the same remaining maturity as the expected remaining weighted average life of the Advance (the “Prepayment Fee”). In addition to the Prepayment Fee, Member will be charged any termination costs that the Bank incurs in terminating interest rate swaps, futures, options contracts, and other debt instruments as necessary to render the Bank financially indifferent to Member’s decision to prepay, as determined solely by the Bank (the “Termination Costs”). The Prepayment Fee and Termination Costs will be charged against Member’s IDEAL Way Deposit Account on the day of prepayment. The Prepayment Fee shall be no less than zero. The amount due upon prepayment is therefore the amount determined by the following formula:

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

A = “Current yield on Federal Home Loan Bank securities” of the same maturity as the expected remaining weighted average life of the Advance, provided, however, that in no event will “A” be less than zero.

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

The term “principal” for purposes of the prepayment formula shall mean the principal amount of the Advance that is prepaid.

The Bank may also charge Member any extraordinary operational or legal costs, and unusual debt retirement costs as necessary to render the Bank financially indifferent to Member’s decision to prepay, as determined solely by the Bank.

5. Representations and Warranties

As a reminder, Member shall be deemed to have repeated each of the representations and warranties set forth in the Advances Agreement each time the Bank funds an advance.

If you have any questions or identify any discrepancies with regard to this transaction, please contact the Bank immediately.

³ “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).