

**AMENDED AND  
RESTATED**

**Capital Plan of the Federal  
Home Loan Bank of  
Boston**

Amended and Restated as of September 5, 2011

<b><u>§I.</u></b>	<b><i>Definitions</i></b>	<b>4</b>
<b><u>§II.</u></b>	<b><i>Leverage and Risk-Based Capital Requirements</i></b>	<b>8</b>
<b><u>II.A.</u></b>	<b>Regulatory Standard</b>	<b>8</b>
II.A.1.	Leverage Ratio	8
II.A.2.	Risk-Based Capital Ratio	8
II.A.3.	Finance Agency Designated Capital Levels	9
<b><u>§III.</u></b>	<b><i>Classes of Stock</i></b>	<b>9</b>
<b><u>III.A.</u></b>	<b>General</b>	<b>9</b>
III.A.1.	Redemption	9
III.A.2.	Repurchase	11
III.A.3.	Limitations on Redemptions and Repurchases	12
III.A.4.	Pro Rata Allocation of Redemptions	14
III.A.5.	Redeemed and Repurchased Stock	14
III.A.6.	Par Value	14
III.A.7.	Dividends	14
III.A.8.	Ownership of Retained Earnings	15
<b><u>III.B.</u></b>	<b>Voting Rights</b>	<b>15</b>
III.B.1.	Matters Subject to Vote; Eligibility	15
III.B.2.	Share Voting Determinations; Voting Rights	15
<b><u>III.C.</u></b>	<b>Rights Upon Liquidation, Merger, or Consolidation of the Federal Home Loan Bank of Boston</b>	<b>16</b>
III.C.1.	Liquidation	16
III.C.2.	Merger or Consolidation	16
<b><u>§IV.</u></b>	<b><i>Stock Investment Requirements</i></b>	<b>16</b>
<b><u>IV.A.</u></b>	<b>Membership Stock Investment Requirement</b>	<b>16</b>
IV.A.1.	General	16
IV.A.2.	Frequency of Recalculation	16
IV.A.3.	Continuing Requirement as Condition of Membership	17
IV.A.4.	Ranges of Allowable Membership Stock Investment Requirements	17
<b><u>IV.B.</u></b>	<b>Activity-Based Stock Investment Requirement</b>	<b>17</b>
IV.B.1.	General	17
IV.B.2.	Range of Allowable Activity-Based Stock Investment Requirements	21
IV.B.3.	Notice of Withdrawal from Membership	22
IV.B.4.	Requirement upon Termination of Membership	22
IV.B.5.	Pre-existing Non-Advance Activity-Based Assets	22
<b><u>IV.C.</u></b>	<b>Total Stock Investment Requirement</b>	<b>22</b>
IV.C.1.	General	22
IV.C.2.	Bank Monitoring and Notification	23
IV.C.3.	Prompt Compliance with Adjustments to Membership and Activity-Based Stock Investment Requirements	23
<b><u>IV.D.</u></b>	<b>Excess Stock Investment</b>	<b>24</b>
IV.D.1.	Member Purchase and Retention of Excess Stock	24
IV.D.2.	Capital Treatment of Excess Stock	24
<b><u>IV.E.</u></b>	<b>Transfers of Stock</b>	<b>24</b>
IV.E.1.	Conditions for Approval of Transfers	24
IV.E.2.	Relation of Redemption Notices to Transfers of Stock	25

IV.E.3. Transfers Occurring in Connection with Mergers or Consolidations	25
<b>IV.F. Membership Termination</b>	25
IV.F.1. Voluntary Withdrawal from Membership	25
IV.F.2. Involuntary Termination of Membership	26
IV.F.3. Merger or Consolidation of Members	28
IV.F.4. Merger or Consolidation of Member into a Member of another FHLBank or into a Nonmember	29
IV.F.5. Relocation of Principal Place of Business	30
<b>§V. Transition, Review, and Amendments</b>	31
<b>V.A. Transition</b>	31
V.A.1. Effective Date	31
V.A.2. Plan of Reorganization	34
V.A.3. Good Faith Determination	35
<b>V.B. Review and Amendments</b>	35
V.B.1. Annual Review of the Capital Plan	36
V.B.2. Amendments to the Capital Plan	36
<b>§VI. Miscellaneous</b>	36
<b>VI.A. Interpretation of the Capital Plan</b>	36
<b>VI.B. Notices</b>	36
VI.B.1. Notices by the Bank	36
VI.B.2. Notices to the Bank	36
<b>§VII. Restricted Retained Earnings Account</b>	37
<b>VII.A. Implementation</b>	37
<b>VII.B. Definitions applicable to §VII of this Capital Plan</b>	37
<b>VII.C. Establishment of Restricted Retained Earnings Account</b>	39
VII.C.1. Segregation of Account	39
VII.C.2. Funding of Account	39
<b>VII.D. Limitation on Dividends, Stock Purchase and Stock Redemption</b>	41
VII.D.1. General Rule on Dividends	41
VII.D.2. Limitations on Repurchase and Redemption	42
<b>VII.E. Termination of Retained Earnings Capital Plan Amendment Obligations</b>	42
VII.E.1. Notice of Automatic Termination Event	42
VII.E.2. Notice of Voluntary Termination	44
VII.E.3. Consequences of an Automatic Termination Event or Vote to Terminate the Agreement	44

## §I. **Definitions**

### 1.A. ***Defined Terms.***

As used in the Capital Plan, the following capitalized terms shall have the following meanings:

Acquired Member Assets – Those assets that may be acquired by the Bank under Part 955 of the Regulations.

Act – The Federal Home Loan Bank Act.

Activity-Based Assets – Advances, advance commitments, letters of credit, intermediated derivatives, Acquired Member Assets, and delivery commitments issued to a Member for Acquired Member Assets to be held on the Bank's balance sheet, that the Bank obtains from or through its Members.

Activity-Based Stock Investment Requirement – The amount of Stock required to be held by each Member to support the outstanding Activity-Based Assets for which the Member has engaged the Bank.

Advance – Has the meaning set forth in 12 C.F.R. 900.2.

Available Excess Stock Pool – The lower of (x) \$250,000,000 and (y) twenty-five percent (25%) of the Excess Stock Pool.

Bank – The Federal Home Loan Bank of Boston.

Board of Directors – The board of directors of the Bank.

Capital Plan – The capital plan of the Bank as adopted by the Board of Directors and approved by the Finance Agency, as amended from time to time.

Capital Stock - The capital stock of the Bank outstanding prior to the Effective Date.

Class A Stock – Class A Stock, as defined by the Act.

Class A Stock Redemption Period - Six (6) months or such other period as required by the Act, the Regulations or the Finance Agency.

Class B Stock – Class B Stock, as defined by the Act.

Class B Stock Redemption Period - Five (5) years or such other period as required by the Act, the Regulations or the Finance Agency.

Credit Risk Capital Requirement – The amount of Permanent Capital that is required to support the Bank's credit risk, as required by 12 C.F.R. §932.4.

Effective Date – The date upon which the provisions of the Capital Plan become effective and existing shares of the Bank's Capital Stock are converted to shares of Class B Stock in accordance with the Capital Plan.

Eligible Advances – Advances that are requested by a Member rather than at the initiation of the Bank and will be actually disbursed by the Bank rather than by another Federal Home Loan Bank on behalf of the Bank.

Excess Stock – Stock held by a Holder that is in excess of the current Total Stock Investment Requirement of such Holder.

Excess Stock Pool – The aggregate amount of Class B Stock that is Excess Stock held by all Holders.

FHLBank – A Federal Home Loan Bank.

Finance Agency – The Federal Housing Finance Agency.

GAAP – The accounting principles generally accepted in the United States.

Holder – A Member or an Other Institution.

Market Risk Capital Requirement – The amount of Permanent Capital that is required to support the Bank's market risk, as required by 12 C.F.R. §932.5.

Member – An institution that has been approved for membership in the Bank and that has purchased the required amount of Bank Capital Stock or Stock, as applicable.

Membership – The rights, privileges, and obligations of being a member of the Bank.

Membership Stock Investment Requirement – The amount of Class B Stock required to be held by each Member as a condition of continued Membership in the Bank.

Membership Stock Investment Base – For the purpose of determining the Membership Stock Investment Requirement, the summation of non-discounted values of certain Member assets eligible to secure Advances under Section 10(a)(3) of the Act as determined by the Bank from call report data and as defined in the Products Policy.<sup>1</sup> Members that do not submit financial information to a regulatory body through a publicly available call reporting process will be required to submit data directly to the Bank that are similar in substance and time frame to those data filed in thrift, bank, and credit union call reports.

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<sup>1</sup> For Members filing an OTS Thrift Financial Report, the Membership Stock Investment Base would equal the sum of the following line items: SC250 (Permanent, Closed-end Mortgages and Junior Liens on 1-4 Family Dwelling Units), SC256 (Permanent Mortgages on 5 or More Family Dwelling Units), SC130 (U.S. Government and Agency Securities), SC210 (Mortgage-backed Securities Insured or Guaranteed by an Agency or Instrument of the United States), SC150 (Mortgage Derivative Securities), and SC215 (Other Mortgage Pool Securities).

For Members filing FFIEC Reports of Condition and Income, the Membership Stock Investment Base would equal the sum of the following line items: Schedule RC-C, lines 1.c.(2)(a) and 1.c.(2)(b) (Closed-end First and Junior Liens on 1-4 Family Residential Properties), Schedule RC-C, line 1.d (Mortgage Loans Secured by Multifamily Properties), Schedule RC-B, lines 1, 2.a, and 2.b (U.S. Treasury and Agency Securities, Excluding Mortgage-backed Securities), Schedule RC-B, lines 4.a.(1), 4.a.(2), 4.b.(1), and 4.b.(2) (Mortgage-backed Securities Guaranteed by Ginnie Mae or Issued by Fannie Mae and Freddie Mac), and Schedule RC-B, lines 4.a.(3) and 4.b.(3) (Other Mortgage-backed Securities).

For Members filing a Credit Union 5300 Call Report, the Membership Stock Investment Base would equal the sum of line items: Balance Sheet Account Code 703 (Total 1st Mortgage Real Estate Loans), Schedule C Account Code 741C (U.S. Government Obligations), and Schedule C Account Code 742C (Federal Agency Securities).

Minimum Regulatory Capital Requirement - A minimum regulatory capital requirement for the Bank established by the Regulations (as referenced in §§II.A.1 and II.A.2 of the Capital Plan) or on a basis specifically applicable to the Bank by the Finance Agency (as referenced in §II.A.3).

NRSRO – A credit rating organization regarded as a Nationally Recognized Statistical Rating Organization by the Securities and Exchange Commission.

Operations Risk Capital Requirement – The amount of Permanent Capital that is required to support the Bank’s operations risk, as required by 12 C.F.R. §932.6.

Opt-Out Date – The date sixty (60) days prior to the Effective Date.

Other Institution – A financial institution that is not a Member and that acquires, receives, or retains Stock under the Capital Plan.

Permanent Capital – The retained earnings of the Bank, determined in accordance with GAAP, plus the amount paid-in for the Bank’s Class B Stock.

Person – Any individual, sole proprietorship, partnership, joint venture, unincorporated organization, trust (including a business trust), association, corporation, limited liability company, institution, public benefit corporation, joint stock company, governmental authority or any other entity of whatever nature.

Plan of Merger – The formal agreement governing the terms of a merger, consolidation, or acquisition between the Bank and any other FHLBank or group of FHLBanks.

Products Policy – The products policy of the Bank, as amended from time to time by the Board of Directors.

Redemption Cancellation Fee – As applicable, (i) a fee in the amount of two percent (2%) of the par amount of the shares of Stock that are the subject of a Redemption Notice, subject to any deductions from the number of shares subject to such Redemption Notice in accordance with §III.A.1 of the Capital Plan, which may be imposed in the event that a Member cancels a Redemption Notice, or a Member’s Redemption Notice is subject to automatic cancellation, or (ii) a fee in the amount of two percent (2%) of the amount of the par amount of the shares of Stock held by a Member as of the date that the Bank receives notice from the Member that the Member is canceling its notification of intent to withdraw from Membership which may be imposed in the event that a Member cancels its notification of intent to withdraw from Membership.

Redemption Notice – A written notice provided by a Member to the Bank requesting redemption of a specified number of shares of Stock, subject to the Stock Redemption Period and the other restrictions set forth in the Capital Plan, the Regulations and the Act.

Regulations - Regulations promulgated by the Federal Housing Finance Agency.

Repurchase Request Notice Date - The date sixty (60) days prior to the Effective Date.

Required Risk-Based Capital Ratio – The amount of Permanent Capital that is required to be outstanding at all times in order to simultaneously meet the Market Risk Capital Requirement, the Credit

Risk Capital Requirement, and the Operations Risk Capital Requirement.

Required Stock Purchase Date - This term is defined in §IV. B.1.

Stock – Class A Stock and/or Class B Stock as defined by the Act, and as further defined by the Regulations

Stock Redemption Period – The Class A Stock Redemption Period or the Class B Stock Redemption Period, as applicable, following: (i) the Bank's receipt of a Member's Redemption Notice to redeem Stock (with such Redemption Notice applicable only to the class and number of shares of Stock that are the subject of such Redemption Notice); (ii) the Bank's (or as applicable, the Finance Agency's) receipt of a Member's written notice to the Bank (or as applicable, the Finance Agency) of intent to withdraw from Membership, or the date of acquisition or receipt of any additional shares of Stock after the Bank's (or as applicable, the Finance Agency's) receipt of such notice, (iii) a Member's termination of Membership as a result of merger or consolidation into a Member of another FHLBank or a nonmember, or the date of acquisition or receipt of any additional shares of Stock after such termination from Membership, (iv) a Member's termination from Membership as a result of the relocation of its principal place of business, or the date of acquisition or receipt of any additional shares of Stock after such termination of Membership, or (v) a Member's involuntary termination from Membership, or the date of acquisition or receipt of any additional shares of Stock after such termination of Membership.

Total Assets - Total assets of the Bank, as determined in accordance with GAAP.

Total Capital – The sum of Permanent Capital, the amounts paid-in for Class A Stock, the amount of any general allowance for losses, and the amount of other instruments identified in the Capital Plan that the Finance Agency has determined to be available to absorb losses incurred by the Bank.

Total Stock Investment Requirement – The sum of the Membership Stock Investment Requirement and the Activity-Based Stock Investment Requirement.

Unweighted Leverage Ratio – The ratio of Total Capital to Total Assets, wherein the portion of Total Capital that is Permanent Capital is recorded as its book value.

Weighted Leverage Ratio - The ratio of Total Capital to Total Assets, wherein the portion of Total Capital that is Permanent Capital is weighted 1.5 times.

**Interpretive Matters**

All terms defined directly or by incorporation in the Capital Plan shall have the defined meanings when used in any certificate or other document delivered pursuant thereto unless otherwise defined therein. For purposes of the Capital Plan, unless the context otherwise requires: (a) accounting terms not otherwise defined in the Capital Plan, and accounting terms partly defined in the Capital Plan to the extent not defined, shall have the respective meanings given to them under GAAP; (b) unless otherwise provided; references to any month, quarter or year refer to a calendar month, quarter or year; (c) references to any amount as on deposit or outstanding on any particular date means such amount at the close of business on such day; (d) the words "hereof," "herein" and "hereunder" and words of similar import refer to the Capital Plan as a whole and not to any particular provision of the Capital Plan (or such certificate or document); (e) references to any law or regulation refer to that law or regulation as amended from time to time and include any successor law or regulation; (f) references to any agreement refer to that agreement as from time to time amended, restated or supplemented or as the terms of such agreement are waived or modified in accordance with its terms; (g) references to any Person include that Person's successors and permitted assigns; and (h) words describing the singular number shall include the plural and vice versa.

**§II. Leverage and Risk-Based Capital Requirements****II.A. *Regulatory Standard***

The Act and the Regulations require the Bank to maintain the following capital levels at all times:

**II.A.1. Leverage Ratio**

The Bank must, at all times, maintain a Weighted Leverage Ratio in the amount of not less than five percent (5%), wherein Permanent Capital is weighted at 1.5 times its par value. The Bank must also, at all times, maintain an Unweighted Leverage Ratio of not less than four percent (4%), wherein all capital is weighted at its carrying value.

**II.A.2 Risk-Based Capital Ratio**

The Bank must, at all times, maintain an amount of Permanent Capital equal to the sum of its required Market Risk Capital Requirement, Credit Risk Capital Requirement, and Operations Risk Capital Requirement.

**II.A.2(a) *Market Risk Capital Requirement***

As required by 12 C.F.R. §932.5(a), the Bank must maintain Permanent Capital in an amount not less than the sum of:

(i) The market value of the Bank's portfolio at risk from movements in interest rates, foreign exchange rates, commodity prices, and equity prices that could occur during periods of market stress, where the market value of the Bank's portfolio at risk is determined using an internal market risk model that fulfills the requirements of 12 C.F.R. §932.5(b) and that has been approved by the Finance Agency; and

(ii) The amount, if any, by which the Bank's current market value of Total Capital is less than eighty-five percent (85%) of the Bank's book value of Total Capital.



II.A.2(b) ***Credit Risk Capital Requirement***

The Bank must maintain Permanent Capital in an amount sufficient to meet its Credit Risk Capital Requirement.

II.A.2(c) ***Operations Risk Capital Requirement***

As required by 12 C.F.R. §932.6, the Bank must maintain Permanent Capital in an amount equal to thirty percent (30%) of the sum of the Market Risk Capital Requirement and the Credit Risk Capital Requirement. With the approval of the Finance Agency, the Operations Risk Capital Requirement may be reduced to as low as ten percent (10%) of the sum of the Market Risk Capital Requirement and the Credit Risk Capital Requirement if (i) the Bank provides an alternative methodology for assessing and quantifying an Operations Risk Capital Requirement; or (ii) the Bank purchases an insurance policy to cover operational risk from an insurer that is rated in not lower than the second-highest rating category by an NRSRO. The Bank reserves the right from time to time to seek Finance Agency approval for either of the foregoing alternative approaches to satisfy its Operations Risk Capital Requirement.

II.A.3. **Finance Agency Designated Capital Levels**

For reasons of safety and soundness, the Finance Agency, in accordance with 12 C.F.R. §§932.2(b), 932.3(b), 1229.1 et. seq. and/or other applicable Regulations, may require the Bank to have and maintain a greater amount of capital than that which is described in §§II.A.1 and II.A.2 of the Capital Plan.

§III. **Classes of Stock**

III.A. ***General***

The Bank shall issue Stock as authorized by the Board of Directors. Stock shall be redeemable for cash at par value in accordance with the applicable Stock Redemption Period following the Bank's receipt of a Member's Redemption Notice to redeem Stock, or as provided in §IV.F of the Capital Plan, subject to the provisions of §§ III.A.1, III.A.3 and III.A.4 of the Capital Plan. Stock shall be issued to and owned only by Members or institutions that have been approved for Membership, with the exception of former Members or successors thereto that acquire, receive or retain Stock in accordance with the provisions of the Capital Plan. The Bank may not issue Stock other than in accordance with Section 931.2 of the Regulations and in accordance with the Capital Plan. Stock may only be traded between the Bank and its Members in accordance with §IV.E of the Capital Plan.

Subject to the approval of the Board of Directors and of the Finance Agency, the Bank reserves the right to revise the Capital Plan from time to time. Such amendments might include, but would not be limited to, the sale of one or more subclasses of Class A Stock (which would be redeemable on six months' notice and with other terms and rights as specified in an amended Capital Plan) and/or one or more subclasses of Class B Stock, all of which may be issued separate and apart from the Membership Stock Investment Requirement and Activity-Based Stock Investment Requirement, as described herein.

III.A.1. **Redemption**

A redemption of Stock may occur in conjunction with a Membership termination in accordance with §IV.F of the Capital Plan. In addition, a Member may request that shares of Stock be redeemed by submitting a Redemption Notice to the Bank.

III.A.1(a) ***Written Notice; Specific Share Identification***

A Member that provides a Redemption Notice to the Bank of its intention to redeem Stock pursuant to this §III.A.1(a) of the Capital Plan shall identify in that Redemption Notice the particular shares, including the classes of such shares, that are subject of that Redemption Notice by reference to the date acquired, and the manner in which the shares subject to notice were acquired (i.e., whether by purchase at par value or as a stock distribution by the Bank). If a Member fails to identify the shares to be redeemed, including the classes of such shares, the shares subject to redemption shall, first, be any shares of Class A Stock eligible for redemption selected using a first acquired, first redeemed method of identification for any such shares of Class A Stock and, following the redemption of all shares of Class A Stock eligible for redemption, then the shares of Class B Stock to be redeemed shall be determined using a first acquired, first redeemed method of identification. Stock will be redeemed upon the expiration of the applicable Stock Redemption Period subject to the conditions and limitations set forth in §§III.A.3 and III.A.4 of the Capital Plan. A Member may not have more than one Redemption Notice outstanding at any time with respect to the same shares of Stock.

III.A.1(b) ***Cancellation of Request for Redemption***

A Member may cancel its Redemption Notice by providing the Bank with a written notice of cancellation that is received by the Bank at any time prior to the expiration of the applicable Stock Redemption Period. The Bank will assess a Redemption Cancellation Fee unless the Board of Directors decides it has a bona fide business purpose for waiving the imposition of the fee, and the waiver is consistent with Section 7(j) of the Act.

III.A.1(c) ***Bank Repurchase of Shares under Redemption Notice***

To the extent that the Bank repurchases pursuant to §III.A.2 of the Capital Plan shares of Stock that are subject to a Redemption Notice or Notices, the respective repurchased shares shall be deducted from the outstanding Redemption Notice or Notices.

III.A.1(d) ***Transfer of Shares under Redemption Notice***

To the extent that a Member, or Other Institution, transfers pursuant to §IV.E of the Capital Plan shares of Stock that are subject to a Redemption Notice or Notices, the respective transferred shares shall be deducted from the outstanding Redemption Notice or Notices.

III.A.1(e) ***Redemption Cancellation to Satisfy Total Stock Investment Requirement***

A Redemption Notice by a Member to redeem shares of Stock shall

automatically be cancelled if the Bank is prevented from redeeming the Member's Stock within five business days after the expiration of the applicable Stock Redemption Period because the Member would not be in compliance with its Total Stock Investment Requirement after such redemption. In the event of an automatic cancellation of a Member's Redemption Notice as provided in the preceding sentence, the Bank will assess a Redemption Cancellation Fee unless the Board of Directors decides it has a bona fide business purpose for waiving the imposition of the fee, and the waiver is consistent with Section 7(j) of the Act.

### III.A.2. Repurchase

#### III.A.2(a) *Bank Authority to Repurchase*

The Bank may repurchase for cash Excess Stock from a Member, or Other Institution, subject to the Bank transmitting, sending or giving the Member, or Other Institution, written notice of such repurchase at least 15 days prior to the date of such repurchase, unless a shorter notice period is agreed to in writing by the affected Member, or Other Institution.

#### III.A.2(b) *Identification of Repurchased Shares*

If a Member, or Other Institution, has one or more Redemption Notices outstanding as of the date that the Bank is to repurchase shares of Stock pursuant to §III.A.2(a) of the Capital Plan, the Bank shall repurchase shares of Excess Stock by first repurchasing shares of a Member, or Other Institution, that are subject to a Redemption Notice that has been outstanding for the longest period of time and then, to the extent necessary, by repurchasing shares that are subject to a Redemption Notice that was outstanding for the next longest period of time and continuing in that order, to the extent necessary, until there are no remaining outstanding Redemption Notices by a Member, or Other Institution, in which instance the shares to be repurchased shall be determined by the Bank using a first acquired, first repurchased method of identification. If a Member, or Other Institution, does not have any Redemption Notices outstanding as of the date that the Bank is to repurchase shares of Excess Stock, the shares to be repurchased shall be determined by the Bank using a first acquired, first repurchased method of identification. If a Holder has Excess Stock and it cannot be determined whether the excess consists of Class A Stock, Class B Stock or of both classes, then the Class A Stock shall first be deemed to constitute the Excess Stock with any remaining Excess Stock then being deemed to be Class B Stock. The Bank shall not repurchase any Excess Stock which is Class B Stock unless the Holder has no Class A Stock outstanding that could be repurchased as Excess Stock.

#### III.A.2(c) *Conduct of Repurchase Activities*

The Bank shall conduct its repurchase activities fairly and impartially and without discrimination in favor of or against any Member. The Bank has the sole and absolute discretion whether or not to conduct any

repurchase activities and in what manner any repurchase activities shall be conducted, including the right to determine which classes of Stock shall be repurchased, subject in all respects to (x) the limitations on such repurchases set forth in the Capital Plan, the Act, and the Regulations; and (y) any other limitations on such repurchase activities the Finance Agency establishes.

### III.A.3. Limitations on Redemptions and Repurchases

#### III.A.3(a) *Prohibitions on Redemptions and Repurchases*

##### III.A.3(a)(1) Bank Compliance with Minimum Regulatory Capital Requirements

The Bank shall not redeem or repurchase any shares of Stock if, following such redemption or repurchase, the Bank would not be in compliance with each of its Minimum Regulatory Capital Requirements.

##### III.A.3(a)(2) Member Compliance with Total Stock Investment Requirements

The Bank shall not redeem or repurchase any shares of Stock from any Member, or Other Institution, if, following the redemption or repurchase, the Member, or Other Institution, would not be in compliance with its Total Stock Investment Requirement.

##### III.A.3(a)(3) Other Limitations on Redemptions and Repurchases

The Bank shall not repurchase any shares of Stock if such repurchase would cause the requesting Member's amount of Class A Stock to exceed that Member's amount of Class B Stock. The Bank shall not redeem or repurchase any shares of Stock without the prior written approval of the Finance Agency if the Finance Agency or the Board of Directors, has determined that the Bank has incurred or is likely to incur losses that result in or are likely to result in "charges against the capital of the Bank," as that term is defined in the Regulations. This prohibition shall apply even if the Bank is in compliance with its Minimum Regulatory Capital Requirements and shall remain in effect for however long the Bank continues to incur such charges or until the Finance Agency determines that such charges are not expected to continue.

#### III.A.3(b) *Bank's Discretion to Suspend Redemptions*

##### III.A.3(b)(1) Conditions for Suspension of Redemptions

The Board of Directors, or a committee thereof, may suspend the redemption of Class A Stock and/or Class B Stock, if the Bank reasonably believes that continued redemption of Class A Stock and/or Class B Stock would cause the Bank to fail to meet its

minimum capital requirements as set forth in Sections 932.2 and 932.3 of the Regulations, would prevent the Bank from maintaining adequate capital against a potential risk that may not be adequately reflected in its Minimum Regulatory Capital Requirements or would otherwise prevent the Bank from operating in a safe and sound manner.

III.A.3(b)(2) **Written Notification to the Finance Agency of a Suspension of Redemptions**

If a decision is made to suspend redemption of Class A Stock and/or Class B Stock, the Bank shall notify the Finance Agency in writing within two business days of the decision, informing the Finance Agency of the reasons for the suspension and of the Bank's strategies and time frames for addressing the conditions that led to the suspension, as indicated in Section 931.8(b) of the Regulations.

III.A.3.(b)(3) **Finance Agency May Require Re-institution of Redemptions**

The Finance Agency may require the Bank to re-institute the redemption of Class A Stock and/or Class B Stock.

III.A.3.(b)(4) **Limitation on Repurchases During Period of Suspension of Redemptions**

The Bank may not repurchase any class of Stock without the written permission of the Finance Agency during any period in which the Bank has suspended the redemption of such class of Stock as provided for in §III.A.3(b)(1) of the Capital Plan.

III.A.3(c) ***Retention of Redemption or Repurchase Proceeds as Collateral***

The Bank may retain the proceeds of the redemption or repurchase of Stock as additional collateral if the Bank reasonably determines that there is an existing or anticipated collateral deficiency related to any obligations owed by the Member, or Other Institution, to the Bank and the Member, or Other Institution, has failed to deliver additional collateral to resolve the existing or anticipated collateral deficiency to the Bank's satisfaction, until all such obligations have been satisfied or the anticipated deficiency is resolved to the Bank's satisfaction.

III.A.3(d) ***Limitations on Redemptions and Repurchases Associated with Termination of Membership***

The restrictions on redemptions and repurchases set forth in §§III.A.3(a), III.A.3(b) and III.A.3(c) of the Capital Plan apply with respect to redemptions pursuant to a Redemption Notice as well as to redemptions in connection with a termination of Membership in accordance with §IV.F of the Capital Plan and to all repurchases of Stock held by Members and by Other Institutions.

If a Member whose Membership is terminated pursuant to §§IV.F.1, IV.F.2, IV.F.4 or IV.F.5 of the Capital Plan has one or more Redemption

Notices outstanding as of the effective date of its termination from Membership, such Redemption Notice or Notices shall not be subject to automatic cancellation in accordance with §III.A.1(e) of the Capital Plan. Such Redemption Notices shall remain pending until they can be satisfied in accordance with §§III.A.1, III.A.3 and III.A.4 of the Capital Plan.

III.A.4. **Pro Rata Allocation of Redemptions**

If at any time more than one Member, or Other Institution, has outstanding a Redemption Notice in accordance with §III.A.1(a) of the Capital Plan or redemption of Stock in connection with a termination of Membership in accordance with §IV.F of the Capital Plan as to which the applicable Stock Redemption Period has expired, and if the redemption by the Bank of all of the shares of Stock subject to such Redemption Notice or termination of Membership would cause the Bank to fail to be in compliance with any of its Minimum Regulatory Capital Requirements, then the Bank shall fulfill such redemptions as the Bank is able to do so from time to time, beginning with such redemptions as to which the Stock Redemption Period expired on the earliest date and fulfilling such redemptions relating to that date on a pro rata basis from time to time until fully satisfied, and then fulfilling such redemptions as to which the Stock Redemption Period expired on the next earliest date in the same manner, and continuing in that order until all such redemptions as to which the Stock Redemption Period has expired have been fulfilled.

III.A.5. **Redeemed and Repurchased Stock**

All shares of Stock that are acquired by the Bank pursuant to redemption or repurchase shall be retired.

III.A.6. **Par Value**

The par value of each share of Stock shall be one hundred dollars (\$100). All Stock shall be issued, redeemed, repurchased, and transferred only at par value.

III.A.7. **Dividends**

III.A.7(a) ***General***

The Board of Directors, in its discretion, subject to the provisions of §III.A.7 of the Capital Plan, may declare dividends to be paid on the Class A Stock and/or the Class B Stock on a quarterly basis or as otherwise determined by the Board of Directors. The dividend rate that is declared on Class A Stock may differ from the dividend rate declared on Class B Stock except that the declared dividend rate on Class A Stock shall not exceed the declared dividend rate on Class B Stock at the time any dividends are declared. Any dividend on a class of Stock shall be paid equally on all shares of such class of Stock. Each Member or Other Institution is entitled to receive dividends that are declared on Stock based upon the Member's or Other Institution's average daily balance of such class of Stock held during the applicable period. Dividends are non-cumulative with respect to payment obligation.

III.A.7(b) ***Sources and Forms of Payment***

Dividends may only be paid from current net earnings or previously retained earnings. For purposes of this § III.A.7(b), current net earnings shall equal net income under GAAP, plus or minus any adjustments as authorized or required by the Finance Agency. Holders of Class A Stock shall receive dividend payments with respect to such Class A Stock in the form of cash or Class A Stock. Holders of Class B Stock shall receive dividend payments with respect to such Class B Stock in the form of cash or Class B Stock. The Board of Directors shall determine the form of payment of dividends on Stock. All dividend payments with respect to such class of Stock shall be pro rata as to both amount and character.

III.A.7(c) ***Limitations on Dividends***

The Board of Directors may not declare or pay a dividend if the Bank is not at the time in compliance with each of its Minimum Regulatory Capital Requirements or if following such declaration or payment of such a dividend the Bank would not be in compliance with each of its Minimum Regulatory Capital Requirements, unless the Finance Agency grants an appropriate waiver or otherwise permits the declaration or payment of a dividend in such an instance.

III.A.8. **Ownership of Retained Earnings**

Class B Stock shareholders are the owners of the retained earnings, surplus, undivided profits, and equity reserves, if any, of the Bank. Ownership of each of these items is apportioned in accordance with each Class B Stock shareholder's proportional ownership of the total shares of Class B Stock. Holders of Class B Stock shall have no right to receive any portion of these items, except through the declaration of a dividend or capital distribution approved by the Board of Directors or through the liquidation of the Bank as provided for in §III.C.1 of the Capital Plan.

**III.B. Voting Rights**

III.B.1. **Matters Subject to Vote; Eligibility**

Holders of Class B Stock that are Members of the Bank as of the record date shall be entitled to vote for the election of directors to the Board of Directors in accordance with Part 1261 of the Regulations and/or any other applicable law and Regulations. Class A Stock does not have any voting rights.

III.B.2. **Share Voting Determinations; Voting Rights**

For purposes of applying Part 1261 of the Regulations, the Class B Stock that a Member was "required to hold" shall be the lower of (i) the Member's Total Stock Investment Requirement minus the amount of Class A Stock that such Member holds in support of satisfying its Total Stock Investment Requirement and (ii) the Member's amount of Class B Stock, in each case as of the record date provided for in Part 1261, provided that if the Capital Plan was not in effect as of the record date, the number of shares of Capital Stock that a Member was required to hold as of the

record date shall be as determined in accordance with Sections 925.20 and 925.22 of the Regulations. The number of shares of Stock that a particular Member, or Other Institution (to the extent such institution is permitted to vote under Part 1261 of the Regulations), may vote in connection with an election of directors shall be subject to the limitations set forth in the Act and Part 1261 of the Regulations.

### III.C. ***Rights Upon Liquidation, Merger, or Consolidation of the Federal Home Loan Bank of Boston***

#### III.C.1. Liquidation

Upon the liquidation of the Bank, following the retirement of all outstanding liabilities of the Bank to its creditors, the Holders of Class A Stock and Class B Stock shall be entitled to receive the par value of their Class A Stock and Class B Stock plus any declared but unpaid dividends on a pari passu basis, provided that the payment of the obligations to the Bank's creditors shall have been first fully satisfied. Following the redemption in full of all Stock any remaining assets will be distributed on a pro rata basis to the holders of Class B Stock immediately prior to such liquidation. This provision does not limit the statutory authority granted the Finance Agency to prescribe rules, regulations or orders governing the liquidation of a FHLBank which may modify, restrict or eliminate any of the rights set forth above.

#### III.C.2. Merger or Consolidation

##### III.C.2(a) ***Bank Acquired***

In the event that the Bank is merged or consolidated into another FHLBank, the holders of the outstanding Stock of the Bank will be entitled to the rights and benefits set forth in any applicable Plan of Merger and/or terms established or approved by the Finance Agency.

##### III.C.2(b) ***Bank Acquires Other FHLBank***

In the event that another FHLBank is merged or consolidated into the Bank, the holders of the outstanding stock of the other FHLBank will be entitled to the rights and benefits set forth in any applicable Plan of Merger and/or terms established or approved by the Finance Agency.

## §IV. **Stock Investment Requirements**

### IV.A. ***Membership Stock Investment Requirement***

#### IV.A.1. General

The initial minimum Membership Stock Investment Requirement is as follows:

Class B Stock: 0.35 percent (0.35%) of the Member's Membership Stock Investment Base, subject to a minimum investment of \$10,000 and a maximum investment of \$25,000,000.

#### IV.A.2. Frequency of Recalculation

The Membership Stock Investment Requirement on the Effective Date shall be



determined based on a Member's Membership Stock Investment Base as of the most recently available call report data. Thereafter, the Membership Stock Investment Requirement will be recalculated annually by April 30 of each year based on the Member's most recent calendar year-end call report data. Provided however, that the Bank may, for a bona fide business purpose, recalculate a Member's Membership Stock Investment Requirement between annual calculations.

IV.A.3. **Continuing Requirement as Condition of Membership**

As a condition of Membership, each Member is required to purchase and maintain the amounts of Class B Stock indicated above while its Membership is continuing. In order to become a Member, an approved applicant must purchase shares of Class B Stock equal to its Membership Stock Investment Requirement within sixty (60) days of membership approval by the Bank.

IV.A.4. **Ranges of Allowable Membership Stock Investment Requirements**

The Board of Directors may change each or any of the applicable percentage, the minimum investment and maximum investment under the Membership Stock Investment Requirement, but any such revision must fall within the following ranges:

Base requirement: not less than 0.05 percent (0.05%) nor more than 0.50 percent (0.50%) of a member's Membership Stock Investment Base, subject to the following minimum and maximum investments.

Minimum investment: not less than \$5,000 nor more than \$50,000.

Maximum investment: not less than \$5,000,000 nor more than \$100,000,000.

In the event that a Member provides the Bank with written notice of its intent to withdraw from Membership, the Membership Stock Investment Requirement for said Member shall not be increased during the pendency of said notice.

IV.B. ***Activity-Based Stock Investment Requirement***

IV.B.1. **General**

The Bank may issue and sell Class A Stock to the Member to satisfy an increase in such Member's Total Stock Investment Requirement that is attributable to an increase in the Member's use of Eligible Advances, however the Bank shall issue Class B Stock in satisfaction of a Member's Stock requirements for the Eligible Advances in lieu of Class A Stock upon such Member's request. The Bank may not issue Class A Stock if such issuance shall cause either the requesting Member's amount of Class A Stock to exceed that Member's amount of Class B Stock or the aggregate amount of all Members' outstanding Class A Stock to exceed twenty percent (20%) of the Bank's aggregate amount of all Members' outstanding Stock. Class A Stock may be issued to satisfy Total Stock Investment Requirements for Eligible Advances entered into following January 22, 2011, or for the renewal of an existing Eligible Advance initially capitalized by the Excess Stock Pool, so long as the Member has no excess Class B Stock available to satisfy the related Total Stock

Investment Requirement. The requirements of this § IV.B.1 shall apply to a former Member that is allowed by the Bank to retain Eligible Advances acquired from the former Member. For the avoidance of doubt, Class A Stock may not be used to satisfy Total Stock Investment Requirements for any Bank product that is not an Eligible Advance. Class B Stock may be used to satisfy Total Stock Investment Requirements for all Bank products. Notwithstanding the foregoing or any other provision herein to the contrary, the Board of Directors, or a committee thereof, may suspend the issuance and sale of Class A Stock, if the Bank is required to suspend such issuance and sale by either the Finance Agency or in accordance with the Regulations or if the Bank determines that the continued issuance and sale of Class A Stock may cause the Bank to fail to meet its minimum capital requirements as set forth in Sections 932.2 and 932.3 of the Regulations, would prevent the Bank from maintaining adequate capital against a potential risk that may not be adequately reflected in its Minimum Regulatory Capital Requirements, or would otherwise prevent the Bank from operating in a safe and sound manner.

The initial minimum Activity-Based Stock Investment Requirements are as follows:

IV.B.1(a) ***Advances***

A Member is required to hold Stock in an amount equal to 4.50 percent (4.50%) of the Member's outstanding principal balances of Advances from the Bank

IV.B.1(b) ***Advance Commitments***

A Member is required to hold Class B Stock in an amount equal to 0.00 percent (0.00%) of the amount of the Member's Advance commitments with the Bank adjusted by the appropriate conversion factor found in Table 2 of 12 C.F.R. §932.4(f).

IV.B.1(c) ***Letters of Credit***

A Member is required to hold Class B Stock in an amount equal to 4.50 percent (4.50%) of the amount of letters of credit issued by the Bank on behalf of the Member adjusted by the appropriate conversion factor in Table 2 of 12 C.F.R. §932.4(f).

IV.B.1(d) ***Intermediated Derivative Contracts***

A Member is required to hold Class B Stock in an amount equal to 4.50 percent (4.50%) of the value of intermediated derivative contracts between the Member and the Bank which shall be equal to the sum of (1) the Bank's current credit exposure for all intermediated derivative contracts between the Bank and the Member, as calculated in accordance with 12 C.F.R. §932.4(h)(1), and (2) the Bank's potential future exposure for all intermediated derivative contracts between the Bank and the Member, as calculated in accordance with 12 C.F.R. §932.4(h)(2).

IV.B.1(e) ***Acquired Member Assets***

A Member is required to hold Class B Stock in an amount equal to 4.50 percent (4.50%) of the principal balance of Acquired Member Assets acquired by the Bank from the Member that remain on the Bank's balance sheet.

IV.B.1(f) ***Delivery Commitments for Acquired Member Assets***

A member is required to hold Class B Stock in an amount equal to 0.00 percent (0.00%) of the amount of the delivery commitments issued to a Member for Acquired Member Assets to be held on the Bank's balance sheet adjusted by the appropriate conversion factor found in Table 2 of 12 C.F.R. §932.4(f).

Each Member will be required to purchase and maintain, as a component of its Total Stock Investment Requirement, the amounts and class of Stock indicated above while the Activity-Based Assets to which such requirement applies remain outstanding. Each Member's Activity-Based Stock Investment Requirement will change from time to time (as often as daily) as the Member's activity with the Bank changes. On and after the Effective Date a Member that engages the Bank with respect to an Activity-Based Asset must comply with any associated requirement to purchase additional Stock at the time the Activity-Based Asset transaction occurs.

IV.B.1(g) **Excess Stock Pool**

A Member may use Class B Stock from the Excess Stock Pool to satisfy, in full or in part, its Activity-Based Stock Investment Requirements for Eligible Advances so long as each of the following conditions is satisfied:

1. The Eligible Advance to be capitalized must be scheduled for disbursement no later than two business days following the date of request;
2. The Member owns no other Stock that can be used to capitalize the new Eligible Advance or the renewal of an existing Eligible Advance to satisfy the Activity-Based Stock Investment Requirement;
3. The Member is requesting a new Eligible Advance or the renewal of an existing Eligible Advance that was initially capitalized using, the Excess Stock Pool, Class A Stock or some combination of either; and
4. After giving effect to the Eligible Advance, the aggregate amount of that Member's use of Class B Stock from the Excess Stock Pool would be the lower of (A) the product of (x) twenty-five percent

(25%) and (y) the Available Excess Stock Pool minus the aggregate amount of Class B Stock being used from the Available Excess Stock Pool at that time, and (B) that Member's Total Stock Investment Requirement minus the aggregate amount of that Member's use of Class B Stock from the Excess Stock Pool.

At any time a Member owns Stock of a class that is available to be used to satisfy, in full or in part, the capitalization requirements for an Eligible Advance that was capitalized, in full or in part, using Stock from the Excess Stock Pool at the time the Eligible Advance was disbursed, the Member's available Stock shall be applied to satisfy, in full or in part, the Member's capitalization requirements for that Eligible Advance and consequently reduce the Member's usage of the Excess Stock Pool by the amount of such Stock.

Should the amount of the Excess Stock Pool fall to an amount equal to or lower than \$750,000,000, the Bank's management shall promptly determine whether the continued use of the Excess Stock Pool is consistent with the Bank's strategic plans and its safety and soundness and make a recommendation to the Board of Directors whether the use of the Excess Stock Pool should be continued based on that determination.

The Board of Directors has the right to suspend the use of the Excess Stock Pool at any time, and the effective time of any such suspension shall be the date designated by the Bank as the effective date of the suspension in the notice, which effective date may be immediate.

The use of shares of Class B Stock from the Excess Stock Pool pursuant to this Section.IV.B.1(g) shall be discontinued no later than the earlier to occur of December 8, 2013 and the date on which the Bank resumes repurchasing Members' excess shares of Class B stock.

The Bank shall provide notice of the discontinuance of the Excess Stock Pool no later than six months prior to the effectiveness of the discontinuance (the date of the discontinuance is referred to as the "*Required Stock Purchase Date*"), and during such six month period, no additional shares of Class B Stock from the Excess Stock Pool shall be allocated in support of Activity-Based Stock Investment Requirements. Each Member capitalizing any Eligible Advances using the Excess Stock Pool shall be required to satisfy its related Activity-Based Stock Investment Requirement by purchasing the required Stock no later than the Required Stock Purchase Date. Alternatively, a Member may achieve compliance with its Activity-Based Stock Investment Requirement by sufficiently reducing its volume of Activity-Based Assets prior to the Required Stock Purchase Date. On the Required Stock Purchase Date, the Bank may use any funds available in a Member's central clearing deposit account with the Bank to satisfy such Member's Activity-Based Stock Investment Requirement, and, to the extent such funds are insufficient to

satisfy such Member's Total Stock Investment Requirement, the Member shall have been deemed to have drawn an Advance from the Bank in the amount of the Member's shortfall, such Advance subject in all respects to the terms, conditions and requirements for Advances in the Member's agreement for Advances with the Bank with a maturity for such deemed Advance of one day, and the proceeds of such Advance shall be applied to purchase Class B Stock in satisfaction of the Member's Total Stock Investment Requirement.

Each Eligible Advance acquired by a successor to a former Member which was capitalized with Stock from the Excess Stock Pool can continue to be capitalized by Stock in the Excess Stock Pool until the earlier of the maturity date of such Eligible Advance or the Required Stock Purchase Date.

#### IV.B.2. Range of Allowable Activity-Based Stock Investment Requirements

The Board of Directors may amend the Activity-Based Stock Investment Requirement, such Activity-Based Stock Investment Requirement to be satisfied in accordance via the class of stock or Excess Stock Pool as set forth in § IV.B.1, but any such change must fall within the following ranges:

##### IV.B.2(a) *Advances*

Between 3.00 percent (3.00%) and 6.00 percent (6.00%) of the Member's outstanding principal balances of Advances from the Bank.

##### IV.B.2(b) *Advance Commitments*

Between 0.00 percent (0.00%) and 6.00 percent (6.00%) of the amount of the Member's Advance commitments with the Bank adjusted by the appropriate conversion factor found in Table 2 of 12 C.F.R. §932.4(f).

##### IV.B.2(c) *Letters of Credit*

Between 0.50 percent (0.50%) and 6.00 percent (6.00%) of the amount of letters of credit issued by the Bank on behalf of the Member adjusted by the appropriate conversion factor in Table 2 of 12 C.F.R. §932.4(f).

##### IV.B.2(d) *Intermediated Derivative Contracts*

Between 3.00 percent (3.00%) and 6.00 percent (6.00%) of the value of intermediated derivative contracts between the Member and the Bank which shall be equal to the sum of (1) the Bank's current credit exposure for all intermediated derivative contracts between the Bank and the Member, as calculated in accordance with 12 C.F.R. §932.4(h)(1), and (2) the Bank's potential future exposure for all intermediated derivative contracts between the Bank and the Member, as calculated in accordance with 12 C.F.R. §932.4(h)(2).

##### IV.B.2(e) *Acquired Member Assets*

Between 0.00 percent (0.00%) to 6.00 percent (6.00%) of the

principal balance of Acquired Member Assets acquired by the Bank from the Member that remain on the Bank's balance sheet.

IV.B.2(f) ***Delivery Commitments for Acquired Member Assets***

Between 0.00 percent (0.00%) to 6.00 percent (6.00%) of the amount of the delivery commitments issued to a Member for Acquired Member Assets to be held on the Bank's balance sheet adjusted by the appropriate conversion factor found in Table 2 of 12 C.F.R. §932.4(f).

IV.B.3. **Notice of Withdrawal from Membership**

In the event that a Member provides the Bank with written notice of its intent to withdraw from Membership, the Activity-Based Stock Investment Requirement applicable to the Member's Activity-Based Assets in existence on the date of the Member's notice of intent to withdraw from Membership is received by the Bank shall not be increased during the pendency of said notice. After the date the Bank has received written notice from a Member of its intent to withdraw from Membership, if the Member is required to purchase additional Stock to meet its Total Stock Investment Requirement as a result of a new Activity-Based Asset that the Member engages in with the Bank, the Activity-Based Stock Investment Requirement applicable to such Activity-Based Asset on the date of the transaction shall apply but shall not be increased subsequently during the pendency of said notice. If such a withdrawing institution is no longer a Member it shall nevertheless be required to maintain sufficient Stock to meet the Activity-Based Stock Investment Requirement applicable to all outstanding Activity-Based Assets in accordance with this §IV.B.3 of the Capital Plan for as long as any such Activity-Based Assets remain outstanding.

IV.B.4. **Requirement upon Termination of Membership**

In the event that a Member's Membership terminates in accordance with §§IV.F.2, IV.F.4 or IV.F.5 of the Capital Plan, the terminated Member or its successor shall nevertheless be required to maintain sufficient Stock to meet the Activity-Based Stock Investment Requirement applicable to all outstanding Activity-Based Assets. However, such Activity-Based Stock Investment Requirement shall not be increased on and after the date of the termination of the Member's Membership.

IV.B.5. **Pre-existing Non-Advance Activity-Based Assets**

Acquired Member Assets or binding commitments by the Bank to provide or purchase Acquired Member Assets that are in existence prior to the Effective Date shall be subject exclusively to contractual requirements to hold Capital Stock, if any, that were in existence immediately prior to the Effective Date until they are no longer held by the Bank, and shall not be subject to requirements set forth from time to time in §IV.B of the Capital Plan.

IV.C. ***Total Stock Investment Requirement***

IV.C.1 **General**

The Total Stock Investment Requirement for a Member is the amount of Stock that

equals the sum of the Member's Membership Stock Investment Requirement and the Member's Activity-Based Stock Investment Requirement, in all events rounded up to the next even \$100 increment. These amounts must be maintained at all times by each Member and adjusted, as necessary, to reflect adjustments in the bases upon which they are calculated. The Board of Directors has a continuing obligation to review and adjust the Total Stock Investment Requirement, as necessary to ensure that the Bank remains in compliance with each of its Minimum Regulatory Capital Requirements, provided that the Board of Directors in conducting such review may take into account all components of the Bank's Permanent Capital and Total Capital, including, without limitation, shares of Stock held by Members and Other Institutions in excess of their Total Stock Investment Requirements.

**IV.C.2. Bank Monitoring and Notification**

The Bank will, on a continuing basis, monitor each Member's Total Stock Investment Requirement and the Member's actual Stock ownership and will transmit, send or give the Member written notice of the need to purchase additional Stock within seven (7) days of the date that the Bank determines that a deficiency exists. Such a Member will be required to purchase an amount of Stock (rounded to the next higher \$100 increment) needed to satisfy its deficiency within seven (7) days of the date, or such longer period as the Bank may determine in its sole discretion, that the Bank sends, transmits, or gives notice to the Member of such a deficiency.

**IV.C.3. Prompt Compliance with Adjustments to Membership and Activity-Based Stock Investment Requirements**

At least thirty (30) days but no more than forty-five (45) days prior to implementing any adjustment to the Membership Stock Investment Requirement or the Activity-Based Stock Investment Requirement the Bank will transmit, send or give Members written notice of its intent to do so and the effective date of such adjustment. A Member must purchase any additional Stock required to comply with such adjustment on or before the date specified by the Bank for such adjustment. Alternatively, a Member may achieve compliance with such adjustment by sufficiently reducing its volume of Activity-Based Assets on or before the date specified by the Bank for such adjustment. The Bank reserves the right to determine whether to apply any adjustment to the Activity-Based Stock Investment Requirement to Activity-Based Assets that are in existence prior to the effective date of the adjustment and/or to Activity-Based Assets in which the Member engages the Bank on or after the effective date of adjustment to the Activity-Based Stock Investment Requirement. On the effective date of the adjustment, the Bank may use any funds available in a Member's central clearing deposit account with the Bank to satisfy such Member's Total Stock Investment Requirement, and, to the extent such funds are insufficient to satisfy such Member's Total Stock Investment Requirement, the Member shall have been deemed to have drawn an Advance from the Bank in the amount of the Member's shortfall, such Advance subject in all respects to the terms, conditions and requirements for Advances in the Member's agreement for Advances with the Bank with a maturity for such deemed Advance of one day, and the proceeds of such Advance shall be applied to purchase Class B Stock in satisfaction of the Member's Total Stock Investment Requirement.

#### IV.D. ***Excess Stock Investment***

##### IV.D.1. Member Purchase and Retention of Excess Stock

A Member may hold Stock in excess of its Membership Stock Investment Requirement, its Activity-Based Stock Investment Requirement, or its Total Stock Investment Requirement, subject to the limitations of 12 C.F.R. § 925.23. The Bank from time to time may, in its discretion and subject to conditions established by the Bank, offer to issue excess shares of Stock to Members, subject to the limitations of 12 C.F.R. § 925.23. In the event the Bank determines to issue such excess shares of Stock, Members will be provided access to a disclosure, either in electronic or written form, prior to the Member's purchase of excess shares of Stock, regarding the nature of the Member's investment in such excess shares of Stock. The Bank reserves the right to impose a limit on Member holdings of excess shares of Stock at any time. Subject to the provisions of §§III.A.2 and III.A.3 of the Capital Plan, the Bank may, at any time, repurchase excess shares of Stock.

##### IV.D.2 Capital Treatment of Excess Stock

All issued and outstanding shares of Stock shall be included in any calculation of the Bank's compliance with the capital requirements under the Capital Plan, the Regulations and the Act.

#### IV.E. ***Transfers of Stock***

##### IV.E.1. Conditions for Approval of Transfers

Subject to compliance with 12 C.F.R. §931.6, and with the prior written approval of the Bank, and in compliance with procedures specified by the Bank from time to time, a Member, or Other Institution, may transfer, at par value, any Excess Stock to any other Member or institution that has satisfied all conditions for becoming a Member other than the purchase of Stock required to satisfy its Total Stock Investment Requirement. A Member, or Other Institution, that wishes to transfer Excess Stock shall identify in a written notice to the Bank the particular shares that are to be transferred by reference to the date acquired, and the manner in which the shares subject to notice were acquired (i.e., whether by purchase at par value or as a stock distribution by the Bank). If a Member, or Other Institution, fails to identify the shares to be transferred, the shares subject to transfer shall, first, be any shares of Excess Stock that is Class A Stock using a first acquired, first transferred method of identification for any such shares of Class A Stock and, following the transfer of all shares of Excess Stock that is Class A Stock, then the shares of Class B Stock that is Excess Stock to be transferred shall be determined using a first acquired, first transferred method of identification. All Excess Stock transfers will be effective upon being recorded on the appropriate books and records of the Bank. Approval for all transfers is subject to a requirement, that following the transfer, the transferring Member, or Other Institution, would continue to hold sufficient Stock, including in terms of the class requirements for such Stock, to meet the Member's, or Other Institution's, Total Stock Investment Requirement.



IV.E.2. Relation of Redemption Notices to Transfers of Stock

In the event that the Bank approves the transfer of any shares of Excess Stock on which a Member, or Other Institution, has filed a Redemption Notice, such Redemption Notice will not apply to the transferred shares of Excess Stock, provided that this provision shall not apply in the case of transfers occurring pursuant to §§IV.F.3 and IV.F.4 of the Capital Plan.

IV.E.3. Transfers Occurring in Connection with Mergers or Consolidations

Transfers of Stock occurring pursuant to §§IV.F.3 and IV.F.4 of the Capital Plan shall be deemed to be approved by the Bank as of the cancellation of the disappearing Member's charter for purposes of this §IV.E of the Capital Plan.

IV.F. ***Membership Termination***

IV.F.1. Voluntary Withdrawal from Membership

IV.F.1(a) ***Written Notification***

A Member may withdraw from Membership at any time by providing written notice of its intent to withdraw from Membership to the Bank. A Member may cancel a notice of withdrawal prior to its effective date by providing the Bank with written notice of such cancellation and any such cancellation will result in the imposition of the Redemption Cancellation Fee with respect to the Member's Stock unless the Board of Directors decides it has a bona fide business purpose for waiving the imposition of the fee, and the waiver is consistent with Section 7(j) of the Act.

IV.F.1(b) ***Access to Benefits of Membership***

Until the effective date of a Member's withdrawal from the Bank, such Member will continue to have access to the benefits of Membership, provided that the Bank need not commit to providing any further services, including Advances, to a withdrawing Member that would mature or otherwise terminate subsequent to the effective date of the Member's withdrawal. On and after the effective date of the Member's withdrawal, regardless of whether the former Member is required to maintain an investment in the Stock, the former Member will no longer have the benefits of Membership including access to the Bank's products and services and will no longer have any voting rights other than as provided in the Regulations, but the former Member will still be entitled to any and all dividends declared on its Stock until the Stock is redeemed or repurchased by the Bank.

IV.F.1(c) ***Finance Agency Notification***

The Bank shall notify the Finance Agency within ten (10) calendar days of the receipt of any notice of intent to withdraw from Membership or cancellation of a notice of withdrawal from Membership.

IV.F.1(d) ***Finance Agency Certification***

No Member may withdraw from Membership unless, on the date that the Membership is to terminate, there is in effect a certification from the Finance Agency that the withdrawal of the Member will not cause the Bank System to fail to satisfy its requirements under 12 U.S.C. §1441b (f)(2)(c) to contribute toward the interest payments owed on obligations issued by the Resolution Funding Corporation.

IV.F.1(e) *Disposition of Claims*

The Bank shall determine an orderly manner for the disposition of Activity-Based Assets outstanding to a Member that withdraws from Membership. The Bank may allow the withdrawing Member to leave its obligations to the Bank outstanding for any length of time up to and including maturity. The Bank may, in its discretion, require immediate settlement of all obligations of the withdrawing Member on the effective date of the Member's withdrawal, in which case the Member shall be subject to any applicable prepayment fees. The Stock Redemption Period for the Stock held by a Member as of the date of the Bank's receipt of the written notification of the Member's intent to withdraw from Membership and not already subject to a Redemption Notice shall commence as of that date. The Stock Redemption Period for shares of Stock acquired or received by such a withdrawing Member after the date that its notice of intent to withdraw is received by the Bank will commence on the date such shares are acquired or received. If Activity-Based Assets remain outstanding beyond the effective date of the termination of Membership, the Bank will not redeem Stock to the extent that the former Member's outstanding Stock investment would fall below the minimum Activity-Based Stock Investment Requirement corresponding to such outstanding Activity-Based Assets.

Stock held by the Member as of the effective date of its withdrawal from Membership shall not be deemed automatically to be excess Stock solely by virtue of the termination of the Member's Membership. Upon the effective date of a Member's withdrawal from Membership, such a terminated Member shall not be deemed to be subject to the Membership Stock Investment Requirement. The Bank may repurchase Stock held by the terminated Member in excess of the minimum Total Stock Investment Requirement as Activity-Based Assets are extinguished or repurchased by the terminated Member.

IV.F.1(f) *Effective Date of Withdrawal*

The Membership of a Member that has submitted a notice of intent to withdraw, and that has not cancelled such notice, shall terminate as of the date on which the last applicable Stock Redemption Period ends for Stock that the Member is required to hold under the Membership Stock Investment Requirement as of the date that the Member's written notification of its intent to withdraw from Membership was received by the Bank.

IV.F.2. Involuntary Termination of Membership

IV.F.2(a) ***Written Notification***

The Board of Directors may terminate the Membership of any Member that: (i) fails to comply with any requirement of the Act, any regulation adopted by the Finance Agency, or any requirement of the Capital Plan, (ii) becomes insolvent or otherwise subject to the appointment of a conservator, receiver, or other legal custodian under federal or state law, or (iii) would jeopardize the safety and soundness of the Bank if it were to remain a Member.

IV.F.2(b) ***Access to Benefits of Membership***

A Member whose Membership is terminated involuntarily shall cease being a Member of the Bank as of the date on which the Board of Directors acts to terminate the Membership. After that date the institution whose Membership has been terminated shall have no right to obtain any of the benefits of Membership including access to the Bank's products and services and will no longer have any voting rights, other than as provided in the Regulations, but shall be entitled to receive any dividends declared on its Stock until the Stock is redeemed or repurchased by the Bank.

IV.F.2(c) ***Disposition of Claims***

The Bank shall determine an orderly manner for the disposition of Activity-Based Assets outstanding to a Member whose Membership has been terminated. The Bank may allow the Member whose Membership has been terminated to leave its obligations to the Bank outstanding for any length of time up to and including maturity. The Bank may, in its discretion, require immediate settlement of all obligations of the Member on the date on which the Member's Membership is terminated, in which case the Member shall be subject to any applicable prepayment fees. The Stock Redemption Period for the Stock owned by a Member as of the date of its termination and not already subject to a Redemption Notice shall commence on the date that the Member's Membership is terminated. The Stock Redemption Period for Stock acquired or received by a Member after the date of the termination of its Membership shall commence on the date of such acquisition or receipt. If Activity-Based Assets remain outstanding beyond the effective date of the termination of Membership, the Bank will not redeem Stock to the extent that the former Member's outstanding Stock investment would fall below the minimum Activity-Based Stock Investment Requirement corresponding to such outstanding Activity-Based Assets.

Stock held by the Member as of the effective date of its termination shall not be deemed automatically to be excess Stock solely by virtue of the termination of the Member's Membership; provided however, that on and after the effective date of termination, any Stock that is not required to meet the terminated Member's Membership Stock Investment Requirement on the date on which the Member's Membership was terminated, or its Activity-Based Stock Investment Requirement shall be Excess Stock that shall be available for repurchase

by the Bank, subject to all requirements for such repurchase; and provided further that effective upon the expiration of the Stock Redemption Period that commences on the date that the Member's Membership is terminated, the terminated Member's Membership Stock Investment Requirement shall be deemed to be zero. However, notwithstanding any other provision of this Capital Plan, in the event that (a) a receiver, conservator, or other legal custodian has been appointed for the Member, and (b) the Bank has terminated such Member's Membership, the terminated Member's Membership Stock Investment Requirement shall be deemed to be zero.

#### IV.F.3. Merger or Consolidation of Members

##### IV.F.3(a) *Termination of Charter and Stock Redemption Period*

If a Member's Membership is terminated as a result of a Member's merger or other consolidation into another Member, the Membership shall terminate upon cancellation of the disappearing Member's charter. On that date, the Stock held by the disappearing Member will be transferred on the books of the Bank into the name of the surviving Member. The Stock Redemption Period for the Stock previously held by the disappearing Member shall not be deemed to commence on the date on which the disappearing Member's charter is cancelled, but shall commence only upon: (i) the Bank's receipt of a Redemption Notice, (ii) the Bank's receipt of the surviving Member's written notice of its intent to withdraw from Membership, (iii) the surviving Member's termination of Membership as a result of merger or consolidation into a member of another FHLBank or into a nonmember, (iv) the surviving Member's termination from Membership as a result of the relocation of its principal place of business, or (v) the involuntary termination of the surviving Member's Membership. Stock Redemption Periods applicable to a Redemption Notice or Notices received by the Bank from the disappearing Member prior to the effective date of the cancellation of the disappearing Member's charter shall continue to run with respect to the surviving Member from the date such Redemption Notice was received by the Bank, subject to the provisions of §III.A.1 of the Capital Plan.

##### IV.F.3(b) *Stock Requirement of Surviving Member*

As of the effective date of the cancellation of the disappearing Member's charter, the surviving Member's Membership Stock Investment Requirement shall be immediately increased by the amount of the disappearing Member's Membership Stock Investment Requirement immediately prior to the cancellation of its charter. Future calculations of the surviving Member's Membership Stock Investment Requirement shall be as determined in accordance with §IV.A of the Capital Plan, provided that if the most recently available call report data for the surviving Member does not include the assets of the disappearing Member, then, in that event, the Membership Stock Investment Requirement for the surviving Member will be calculated by adding

together the most recently available call report data of the disappearing Member and of the surviving Member. As of the effective date of the cancellation of the disappearing Member's charter, the surviving Member's Activity-Based Stock Investment Requirement will be calculated based on its current Activity-Based Assets including those acquired from the disappearing Member.

IV.F.4 **Merger or Consolidation of Member into a Member of another FHLBank or into a Nonmember**

IV.F.4(a) ***General***

If a Member's Membership is terminated as a result of the Member's merger or consolidation into a member of another FHLBank or a nonmember, the Membership shall terminate as of the date on which the Member's charter is cancelled. On that date, the Stock held by the disappearing Member will be transferred on the books of the Bank into the name of the surviving institution. After that date the terminated Member (or its successor) shall have no right to obtain any of the benefits of Membership including access to the Bank's products and services and will no longer have any voting rights other than as provided in the Regulations, but shall be entitled to receive any dividends declared on its Stock until the Stock is redeemed or repurchased by the Bank.

IV.F.4(b) ***Disposition of Claims***

The Bank shall determine an orderly manner for the disposition of Activity-Based Assets outstanding to a Member whose Membership has been terminated. The Bank may allow the Member whose Membership has been terminated (or its successor) to leave its obligations to the Bank outstanding for any length of time up to and including maturity. The Bank may, in its discretion, require immediate settlement of all obligations of the Member on the date on which the Member's Membership is terminated, in which case the Member shall be subject to any applicable prepayment fees. The Stock Redemption Period for the Stock then held by the former Member (or its successor) and not already subject to a Redemption Notice shall be deemed to commence on the date on which the Member's charter is cancelled. The Stock Redemption Period for any Stock acquired or received by the terminated Member (or its successor) after the date of the termination of its Membership shall commence on the date of acquisition or receipt.

If Activity-Based Assets remain outstanding beyond the effective date of the termination of Membership, the Bank will not redeem Stock to the extent that the terminated Member's outstanding Stock investment would fall below the minimum Activity-Based Stock Investment Requirement corresponding to such outstanding Activity-Based Assets.

Stock held by the Member as of the effective date of its termination

shall not be deemed automatically to be excess Stock solely by virtue of the termination of the Member's Membership; provided however, that on and after the effective date of termination any Stock that is not required to meet the terminated Member's Membership Stock Investment Requirement on the date on which the Member's Membership was terminated, or its Activity-Based Stock Investment Requirement, shall be Excess Stock that shall be available for repurchase by the Bank, subject to all requirements for such repurchase, provided that the terminated Member's Membership Stock Investment Requirement shall be deemed to be zero as of the next recalculation by the Bank of the Membership Stock Investment Requirement in accordance with §IV.A of the Capital Plan.

IV.F.4(c) ***Acquiring Institution Applies for Bank Membership***

If the institution into which the Member merges or is consolidated is eligible for Membership and intends to become a Member of the Bank, it must provide written notification to the Bank of its intention to apply for Membership within sixty (60) calendar days of the cancellation of the charter of the former Member.

Following the submission of this notification, the application for Membership must be submitted within sixty (60) calendar days. If the institution is approved for Membership, then it must purchase the appropriate amounts, if any, and classes of Stock, to comply with its minimum Total Stock Investment Requirement. Such purchase must be made within the timeframe specified in §IV.A.3 of the Capital Plan for its Membership Stock Investment Requirement and, with respect to any Activity-Based Stock Investment Requirement, prior to engaging in such Activity-Based Assets.

If the institution does not provide required notification and application for Membership within the respective required time periods, or is disapproved for Membership, the provisions of §IV.F.4(b) of the Capital Plan will apply with respect to the disposition of Activity-Based Assets and redemption and repurchase of Stock.

IV.F.5 **Relocation of Principal Place of Business**

IV.F.5(a) ***General***

If a Member's Membership is terminated as a result of the relocation of the Member's principal place of business, as defined in the Regulations, the Membership shall terminate on the date on which the transfer of membership under the Regulations becomes effective. After that date the terminated Member shall have no right to obtain any of the benefits of Membership including access to the Bank's products and services and will no longer have any voting rights other than as provided in the Regulations, but shall be entitled to receive any dividends declared on its Stock until the Stock is redeemed or repurchased by the Bank.

IV.F.5(b) ***Disposition of Claims***

The Bank shall determine an orderly manner for the disposition of Activity-Based Assets outstanding to a Member whose Membership has been terminated. The Bank may allow the Member whose Membership has been terminated to leave its obligations to the Bank outstanding for any length of time up to and including maturity. The Bank may, in its discretion, require immediate settlement of all obligations of the Member on the date on which the Member's Membership is terminated, in which case the Member shall be subject to any applicable prepayment fees. The Stock Redemption Period for the Stock then held by the Member and not already subject to a Redemption Notice shall be deemed to commence on the date on which the Member's relocation becomes effective. The Stock Redemption Period for any Stock acquired or received by the terminated Member after the date of the termination of its Membership shall commence on the date of acquisition or receipt.

If Activity-Based Assets remain outstanding beyond the effective date of the termination of Membership, the Bank will not redeem Stock to the extent that the terminated Member's outstanding Stock investment would fall below the Activity-Based Stock Investment Requirement corresponding to such outstanding Activity-Based Assets.

Stock held by the Member as of the effective date of its termination shall not be deemed automatically to be excess Stock solely by virtue of the termination of the Member's Membership, provided however, that on and after the effective date of termination any Stock that is not required to meet the terminated Member's Membership Stock Investment Requirement on the date on which the Member's Membership was terminated, or its Activity-Based Stock Investment Requirement shall be Excess Stock that shall be available for repurchase by the Bank, subject to all requirements for such repurchase; and provided further that effective upon the expiration of the Stock Redemption Period that commences on the date that the Member's Membership is terminated, the terminated Member's Membership Stock Investment Requirement shall be deemed to be zero.

## **§V. Transition, Review, and Amendments**

### **V.A. *Transition***

#### **V.A.1. Effective Date**

On a date determined by the Board of Directors, which shall not occur more than thirty-six (36) months after final written approval by the Finance Agency for the Bank to implement the Capital Plan, which date shall be subject to adjustment by the Finance Agency, the Capital Plan shall be implemented by the conversion of the Capital Stock of the Bank as described in §V.A.2 of the Capital Plan.

#### **V.A.1(a) *Bank Notification to Members***

The Opt-Out Date is sixty (60) days prior to the Effective Date. Not less

than forty-five (45) nor more than sixty (60) days prior to the Opt-Out Date, a copy of the Capital Plan as approved by the Finance Agency, an estimate of each Member's individual Total Stock Investment Requirement, the disclosures required by Section 933.5 of the Regulations, including a description of a Member's option to withdraw from Membership prior to the implementation of the Capital Plan, and a notification of a Member's opportunity to request that the Bank repurchase shares of Stock in excess of the Member's Total Stock Investment Requirement on the Effective Date will be transmitted, sent or given to each Member.

V.A.1(b)     ***Member Notification of Intent to Withdraw on or before Opt-Out Date***

V.A.1(b)(1)     General

Members will be informed that written notice of the Member's intent to withdraw from Membership must be received by the Finance Agency and the Bank no later than the Opt-Out Date. The Membership of a Member whose written notice of intent to withdraw from Membership is received by the Finance Agency and the Bank on or before the Opt-Out Date shall terminate on the Effective Date, and such Member's Capital Stock shall be redeemed and retired and shall not be converted into Class B Stock.

V.A.1(b)(2)     Disposition of Claims; Collateral Deficiency Upon Withdrawal

The Bank shall determine an orderly manner for the disposition of Activity-Based Assets outstanding to the withdrawing Member. The Bank may allow the withdrawing Member to leave its obligations to the Bank outstanding for any length of time up to and including maturity. The Bank may, in its discretion, require immediate settlement of all obligations of the Member on the date on which the Member's Membership is terminated, in which case the Member shall be subject to any applicable prepayment fees. In the case of such a withdrawing Member, if on the Effective Date the Bank reasonably determines that there is an existing or anticipated collateral deficiency related to any obligations owed by the Member to the Bank, and the Member has failed to deliver additional collateral to resolve the existing or anticipated collateral deficiency to the Bank's satisfaction, the Bank shall redeem all of the Member's Capital Stock and remit the proceeds to a deposit account as collateral security for such obligations until all such obligations have been satisfied or the existing or anticipated deficiency is resolved to the Bank's satisfaction.

V.A.1(c)     ***Affirmative Election to Convert Shares***



Any Member whose written notice of intent to withdraw from Membership is not received by the Finance Agency and the Bank on or prior to the Opt-Out Date shall be deemed to have affirmatively elected to convert its existing Capital Stock to Stock on the Effective Date pursuant to the Capital Plan.

**V.A.1(c)(1) Notice of Intent to Withdraw after Opt-Out Date**

In the event a Member that is deemed to have affirmatively elected to convert its existing Capital Stock to Stock files written notice of its intent to withdraw from Membership that is received by the Finance Agency and the Bank after the Opt-Out Date, the Stock Redemption Period for the Class B Stock issued to the Member upon the conversion of the shares of Capital Stock that the Member held as of the date its notice of intent to withdraw is received will be deemed to commence on the date that the notice of intent to withdraw is received by the Finance Agency and the Bank.

**V.A.1(c)(2) Additional Shares Received Prior to Effective Date**

If a Member described in the preceding paragraph acquires or receives any additional shares of the Bank's Capital Stock after the date its notice of withdrawal is received by the Finance Agency and the Bank and before the Effective Date, the Stock Redemption Period for the Class B Stock issued to the Member upon the conversion of such Capital Stock will be deemed to commence on the date that such shares of Capital Stock were acquired or received. If a Member described in the preceding paragraph acquires or receives any shares of Class B Stock on or after the Effective Date other than through the conversion occurring on the Effective Date, the Stock Redemption Period for such shares shall commence on the date such shares of Class B Stock were acquired or received.

**V.A.1(d) *Treatment of Former Members***

With respect to any institution the Membership of which has terminated on or prior to the Effective Date other than by virtue of §V.A.1(b) of the Capital Plan that continues to hold Capital Stock, such Capital Stock shall be redeemed for cash and retired on or before the Effective Date and shall not be converted into Stock. The Bank shall determine an orderly manner for the disposition of Activity-Based Assets outstanding to such an institution. The Bank may allow such an institution to leave its obligations to the Bank outstanding for any length of time up to and including maturity. The Bank may, in its discretion, require immediate settlement of all obligations of such an institution on or before the Effective Date, in which case the institution shall be subject to any applicable prepayment fees. In the event that the Bank reasonably determines that there is an existing or anticipated collateral deficiency related to any obligations owed by such an institution to the Bank and

the institution has failed to deliver additional collateral to resolve the existing or anticipated collateral deficiency to the Bank's satisfaction, upon redeeming the institution's Capital Stock the Bank shall remit the proceeds to a deposit account as collateral security for such obligations until all such obligations have been satisfied or the anticipated deficiency is resolved to the Bank's satisfaction.

V.A.1(e) ***Member Opportunity to Request Repurchase of Excess Stock***

Members will be informed that they may submit a written notice to the Bank requesting, that to the extent that the Member upon the conversion of its Capital Stock to Class B Stock on the Effective Date holds shares of Class B Stock in excess of the Member's Total Stock Investment Requirement, that the Bank exercise its discretion and repurchase a Member- specified percentage of the Member's shares of Class B Stock in excess of the Member's Total Stock Investment Requirement on the Effective Date. In order to be considered under this provision a Member's written notice must be received by the Bank by the Repurchase Request Notice Date, which is sixty (60) days prior to the Effective Date. The Bank will treat all written notices received by the Bank by the Repurchase Request Notice Date equally.

The Bank shall have the sole discretion to determine the extent, if any, to which it will repurchase Class B Stock in response to written notices from Members and any such repurchases shall be subject to the limitations set forth in §III.A.3 of the Capital Plan, and shall be rounded down to the next even \$100 increment. To the extent that the Bank determines not to repurchase all shares of Class B Stock that are subject to such written notices, the Bank shall allocate such repurchases among Members that have submitted such notices on a pro rata basis. This provision shall be deemed to satisfy the notice period set forth in §III.A.2 of the Capital Plan.

Any request by a Member for the Bank to repurchase shares of Class B Stock that is received by the Bank after the Repurchase Request Notice Date or prior to the Effective Date shall not be considered by the Bank.

V.A.2. **Plan of Reorganization**

The following actions, which constitute the Bank's Plan of Reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder, are to be taken in order to implement the Capital Plan.

V.A.2(a) ***Calculation of Total Stock Investment Requirements***

On the Effective Date, each Member's Total Stock Investment Requirement will be calculated by applying the Membership Stock Investment Requirement in accordance with the calculation method set forth in §IV.A of the Capital Plan and by applying the Activity-Based Stock Investment Requirement determined as of the Effective Date.

V.A.2(b) ***Identification of Member Stock Positions***

With respect to each Member, the Bank will determine whether upon the conversion of the Member's current holdings of Capital Stock for Class B Stock, the Member would exceed its Total Stock Investment Requirement, exactly meet its Total Stock Investment Requirement, or not meet its Total Stock Investment Requirement.

V.A.2(c) ***Conversion of Existing Capital Stock into Class B Stock***

On the Effective Date, prior to the commencement of the Bank's business day the outstanding shares of Capital Stock shall automatically be deemed converted into shares of an equal amount of par value of Class B Stock without any action on the part of the Members. The Bank will reflect that conversion by appropriate book entries. All such shares of Capital Stock shall become null and void and shall cease to represent any ownership interest in the Bank.

V.A.2(d) ***Members that do not meet their Total Stock Investment Requirement***

If after all of a Member's holdings of Capital Stock as of the Effective Date have been converted into Class B Stock the Member does not meet its Total Stock Investment Requirement, the Bank shall notify the Member of the extent of the deficiency. If the Member was a Member as of November 12, 1999, the Member shall have sixty (60) calendar days in which to purchase sufficient additional shares of Class B Stock to cause the Member to meet its Total Stock Investment Requirement. Without regard to the foregoing, such a Member must immediately purchase any additional Class B Stock necessary to satisfy the Activity-Based Stock Investment Requirements that arise from that Member's new Activity-Based Asset transactions occurring on or after the Effective Date. If the Member became a Member after November 12, 1999, the Member must purchase sufficient additional shares of Class B Stock on the Effective Date to cause the Member to meet its Total Stock Investment Requirement as of the Effective Date.

V.A.2(e) ***Repurchase of Class B Stock on Effective Date***

Following the conversion of Capital Stock to Class B Stock on the Effective Date, the Bank to the extent that it has determined to repurchase excess shares of Class B Stock held by Members that submitted written notices to the Bank in accordance with §V.A.1(e) of the Capital Plan will repurchase such shares of Class B Stock.

V.A.3. **Good Faith Determination**

Management of the Bank has made a good faith determination that the Bank will be able to implement the Capital Plan and that the Bank will be in compliance with its Minimum Regulatory Capital Requirements immediately after the Capital Plan is implemented. An analysis of the Bank's projected capital position after implementation of the Capital Plan has been provided to the Finance Agency.

**V.B. Review and Amendments**

V.B.1. **Annual Review of the Capital Plan**

At least annually, the Board of Directors shall review the Capital Plan and the Board of Directors may from time to time consider potential amendments to the Capital Plan.

V.B.2. **Amendments to the Capital Plan**

Any amendments adopted by the Board of Directors will require submission of the amended Capital Plan to the Finance Agency for approval prior to the implementation of the amended Capital Plan. Adjustments listed in §§IV.A.4 and IV.B.2 of the Capital Plan related to changes to a Member's Membership Stock Investment Requirement or Activity-Based Stock Investment Requirement within the ranges permitted by the Capital Plan are not amendments to the Capital Plan. The Bank will transmit, send or give its Members notice in writing at least thirty (30) calendar days prior to the effective date of any amendment to the Capital Plan to be implemented pursuant to Finance Agency approval in accordance with this §V.B.2 of the Capital Plan.

§VI. **Miscellaneous**

VI.A. ***Interpretation of the Capital Plan***

The Capital Plan takes into account the applicable provisions of the Act and the Regulations and it is not intended to contradict such provisions. If any restatement of the Act or a Regulation contained in the Capital Plan conflicts with the actual provisions of the Act or the Regulation, the actual provisions of the Act or the Regulation shall govern. Subject to the Act and the Regulations, the Bank's chief executive officer shall have the authority to interpret any ambiguities of the Capital Plan and to determine the Bank's exercise of discretion for each provision of the Capital Plan providing the Bank such discretion.

VI.B. ***Notices***

VI.B.1. **Notices by the Bank**

Written notices transmitted, sent or given by the Bank under this Capital Plan shall be addressed to the chief executive officer of the Member, or Other Institution, or such other person, designated by the Member, or Other Institution, in a written notice in accordance with §VI.B.2 of the Capital Plan received by the Bank. Such written notices shall be directed to the postal address, physical address or fax number appearing in the Bank's records from time to time.

VI.B.2. **Notices to the Bank**

Written notices given to the Bank in accordance with the provisions of the Capital Plan shall be addressed to the President of the Bank at the Bank's postal address, physical address, or by fax to (617) 292-9645 and shall be deemed to have been received by the Bank in each case upon actual receipt by the Bank. The Bank may from time to time change the postal address, physical address, fax number at which it will receive such written notices by transmitting, sending or giving written notice to the Member, or Other Institution, in accordance with §VI.B.1 of the Capital Plan.

## Restricted Retained Earnings Account

### VII.A. **Implementation**

The provisions of this §VII shall become effective upon, and only upon, the occurrence of the Interim Capital Plan Amendment Implementation Date. Until the Restriction Termination Date, in the event of any conflict between this §VII and the remainder of this Capital Plan, the applicable terms of §VII shall govern, and shall be interpreted in a manner such that the restrictions set forth herein are supplementary to, and not in lieu of, the requirements of the remainder of this Capital Plan.

### VII.B. **Definitions applicable to §VII of this Capital Plan**

As used in this §VII, the following capitalized terms shall have the following meanings. Other capitalized terms used but not defined in this §VII shall have the meanings set forth in §I.A of this Capital Plan.

‘Adjustment to Prior Net Income’ means either an increase, or a decrease, to a prior calendar quarter’s Quarterly Net Income subsequent to the date on which any allocation to Restricted Retained Earnings for such calendar quarter was made.

‘Agreement’ means the Joint Capital Enhancement Agreement adopted by the FHLBanks on the Effective Date and amended on the date on which the Finance Agency has approved the Retained Earnings Capital Plan Amendments for all of the FHLBanks that have issued capital stock pursuant to a capital plan as of the Effective Date.

‘Allocation Termination Date’ means the date the Bank’s obligation to make allocations to the Restricted Retained Earnings account is terminated permanently. That date is determined pursuant to §VII.E of this Capital Plan.

‘Automatic Termination Event’ means (i) a change in the Act, or another applicable statute, occurring subsequent to the Effective Date, that will have the effect of creating a new, or higher, assessment or taxation on net income or capital of the FHLBanks, or (ii) a change in the Act, another applicable statute, or the Regulations, occurring subsequent to the Effective Date, that will result in a higher mandatory allocation of an FHLBank’s Quarterly Net Income to any Retained Earnings account than the annual amount, or total amount, specified in an FHLBank’s capital plan as in effect immediately prior to the Automatic Termination Event.

‘Automatic Termination Event Declaration Date’ means the date specified in §VII.E.1(a) or VII.E.1(b) of this Capital Plan.

‘Bank’s Total Consolidated Obligations’ means the daily average carrying value for the calendar quarter, excluding the impact of fair value adjustments (i.e., fair value option and hedging adjustments), of the Bank’s portion of outstanding System Consolidated Obligations for which it is the primary obligor.

‘Declaration of Automatic Termination’ means a signed statement, executed by officers authorized to sign on behalf of each FHLBank that is a signatory to the statement, in which at least 2/3 of the then existing FHLBanks declare their concurrence that a specific statutory or regulatory change meets the definition of an Automatic Termination Event.

‘Dividend’ means a distribution of cash, other property, or stock to a Stockholder with respect to its holdings of capital stock.

‘Dividend Restriction Period’ means any calendar quarter: (i) that includes the REFCORP Termination Date, or occurs subsequent to the REFCORP Termination Date; (ii) that occurs prior to an Allocation Termination Date; and (iii) during which the amount of the Bank’s Restricted Retained Earnings is less than the amount of the Bank’s RREM. If the amount of the Bank’s Restricted Retained Earnings is at least equal to the amount of the Bank’s RREM, and subsequently the Bank’s Restricted Retained Earnings becomes less than its RREM, the Bank shall be deemed to be in a Dividend Restriction Period (unless an Allocation Termination Date has occurred).

‘Effective Date’ means February 28, 2011.

‘Interim Capital Plan Amendment Implementation Date’ means 31 days after the date by which the Finance Agency has approved a capital plan amendment substantially the same as the Retained Earnings Capital Plan Amendment for all of the FHLBanks that have issued capital stock pursuant to a capital plan as of the Effective Date.

‘Net Loss’ means that the Quarterly Net Income of the Bank is negative, or that the annual net income of the Bank calculated on the same basis is negative.

‘Quarterly Net Income’ means the amount of net income of an FHLBank for a calendar quarter calculated in accordance with GAAP, after deducting the FHLBank’s required contributions for that quarter to the Affordable Housing Program under section 10(j) of the Act, as reported in the FHLBank’s quarterly and annual financial statements filed with the Securities and Exchange Commission.

‘REFCORP Termination Date’ means the last day of the calendar quarter in which the FHLBanks’ final regular payments are made on obligations to REFCORP in accordance with Section 997.5 of the Regulations and section 21B(f) of the Act.

‘Regular Contribution Amount’ means the result of (i) 20 percent of Quarterly Net Income; plus (ii) 20 percent of a positive Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made in the current calendar quarter; minus (iii) 20 percent of the absolute value of a negative Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made in the current calendar quarter.

‘Restricted Retained Earnings’ means the cumulative amount of Quarterly Net Income and Adjustments to Prior Net Income allocated to the Bank’s Retained Earnings account restricted pursuant to the Retained Earnings Capital Plan Amendment, and does not include amounts retained in: (i) any accounts in existence at the Bank on the Effective Date; or (ii) any other Retained Earnings accounts subject to restrictions that are not part of the terms of the Retained Earnings Capital Plan Amendment.

‘Restricted Retained Earnings Minimum’ (‘RREM’) means a level of Restricted Retained

Earnings calculated as of the last day of each calendar quarter equal to one percent of the Bank's Total Consolidated Obligations.

'Restriction Termination Date' means the date the restriction on the Bank paying Dividends out of the Restricted Retained Earnings account, or otherwise reallocating funds from the Restricted Retained Earnings account, is terminated permanently. That date is determined pursuant to §VII.E of this Capital Plan.

'Retained Earnings' means the retained earnings of an FHLBank calculated pursuant to GAAP.

'Retained Earnings Capital Plan Amendment' means the amendment to this Capital Plan, made a part thereof, adopted effective on the Interim Capital Plan Amendment Implementation Date adding §VII to this Capital Plan.

'Special Contribution Amount' means the result of: (i) 50 percent of Quarterly Net Income; plus (ii) 50 percent of a positive Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made in the current calendar quarter; minus (iii) 50 percent of the absolute value of a negative Adjustment to Prior Net Income for any prior calendar quarter that includes the REFCORP Termination Date, or occurred subsequent to the REFCORP Termination Date, to the extent such adjustment has not yet been made by the current calendar quarter.

'Stockholder' means: (i) a Member or (ii) an Other Institution.

'System Consolidated Obligation' means any bond, debenture, or note authorized under the Regulations to be issued jointly by the FHLBanks pursuant to Section 11(a) of the Act, as amended, or any bond or note previously issued by the Federal Housing Finance Board on behalf of all FHLBanks pursuant to Section 11(c) of the Act, on which the FHLBanks are jointly and severally liable, or any other instrument issued through the Office of Finance, or any successor thereto, under the Act, that is a joint and several liability of all the FHLBanks.

## VII.C. ***Establishment of Restricted Retained Earnings Account***

### VII.C.1. Segregation of Account

No later than the REFCORP Termination Date, the Bank shall establish an account in its official books and records in which to allocate its Restricted Retained Earnings, with such account being segregated on its books and records from the Bank's Retained Earnings that are not Restricted Retained Earnings for purposes of tracking the accumulation of Restricted Retained Earnings and enforcing the restrictions on the use of the Restricted Retained Earnings imposed in the Retained Earnings Capital Plan Amendment.

### VII.C.2. Funding of Account

#### VII.C.2(a) ***Date on which Allocation Begins***

The Bank shall allocate to its Restricted Retained Earnings account an amount at least equal to the Regular Contribution Amount beginning on

the REFCORP Termination Date. The Bank shall allocate amounts to the Restricted Retained Earnings account only through contributions from its Quarterly Net Income or Adjustments to Prior Net Income occurring on or after the REFCORP Termination Date, but nothing in the Retained Earnings Capital Plan Amendment shall prevent the Bank from allocating a greater percentage of its Quarterly Net Income or positive Adjustment to Prior Net Income to its Restricted Retained Earnings account than the percentages set forth in the Retained Earnings Capital Plan Amendment.

VII.C.2(b) *Ongoing Allocation*

During any Dividend Restriction Period that occurs before the Allocation Termination Date, the Bank shall continue to allocate its Regular Contribution Amount (or when and if required under §VII.C.2 (d) below, its Special Contribution Amount) to its Restricted Retained Earnings account.

VII.C.2(c) *Treatment of Quarterly Net Losses and Annual Net Losses*

In the event the Bank sustains a Net Loss for a calendar quarter, the following shall apply: (i) to the extent that its cumulative calendar year-to-date net income is positive at the end of such quarter, the Bank may decrease the amount of its Restricted Retained Earnings such that the cumulative addition to the Restricted Retained Earnings account calendar year-to-date at the end of such quarter is equal to 20 percent of the amount of such cumulative calendar year-to-date net income; (ii) to the extent that its cumulative calendar year-to-date net income is negative at the end of such quarter (a) the Bank may decrease the amount of its Restricted Retained Earnings account such that the cumulative addition calendar year-to-date to the Restricted Retained Earnings at the end of such quarter is zero, and (b) the Bank shall apply any remaining portion of the Net Loss for the calendar quarter first to reduce Retained Earnings that are not Restricted Retained Earnings until such Retained Earnings are reduced to zero, and thereafter may apply any remaining portion of the Net Loss for the calendar quarter to reduce Restricted Retained Earnings; and (iii) for any subsequent calendar quarter in the same calendar year, the Bank may decrease the amount of its quarterly allocation to its Restricted Retained Earnings account in that subsequent calendar quarter such that the cumulative addition to the Restricted Retained Earnings account calendar year-to-date is equal to 20 percent of the amount of such cumulative calendar year-to-date net income.

In the event the Bank sustains a Net Loss for a calendar year, any such Net Loss first shall be applied to reduce Retained Earnings that are not Restricted Retained Earnings until such Retained Earnings are reduced to zero, and thereafter any remaining portion of the Net Loss for the calendar year may be applied to reduce Restricted Retained Earnings.

VII.C.2(d) *Funding at the Special Contribution Amount*



If during a Dividend Restriction Period, the amount of the Bank's Restricted Retained Earnings decreases in any calendar quarter, except as provided in subsections VII.C.2(c)(i) and (ii)(a) above, the Bank shall allocate the Special Contribution Amount to its Restricted Retained Earnings account beginning at the following calendar quarter-end (except as provided in the last sentence of this subsection). Thereafter, the Bank shall continue to allocate the Special Contribution Amount to its Restricted Retained Earnings account until the cumulative difference between: (i) the allocations made using the Special Contribution Amount; and (ii) the allocations that would have been made if the Regular Contribution Amount applied, is equal to the amount of the prior decrease in the amount of its Restricted Retained Earnings account arising from the application of §VII.C.2(c)(ii)(b). If at any calendar quarter-end the allocation of the Special Contribution Amount would result in a cumulative allocation in excess of such prior decrease in the amount of Restricted Retained Earnings: (i) the Bank may allocate such percentage of Quarterly Net Income to the Restricted Retained Earnings account that shall exactly restore the amount of the prior decrease, plus the amount of the Regular Contribution Amount for that quarter; and (ii) the Bank in subsequent quarters shall revert to paying at least the Regular Contribution Amount.

VII.C.2(e) ***Release of Restricted Retained Earnings***

If the Bank's RREM decreases from time to time due to fluctuations in the Bank's Total Consolidated Obligations, amounts in the Restricted Retained Earnings account in excess of 150 percent of the RREM may be released by the Bank from the restrictions otherwise imposed on such amounts pursuant to the provisions of the Retained Earnings Capital Plan Amendment, and reallocated to its Retained Earnings that are not Restricted Retained Earnings. Until the Restriction Termination Date, the Bank may not otherwise reallocate amounts in its Restricted Retained Earnings account (provided that a reduction in the Restricted Retained Earnings account following a Net Loss pursuant to §VII.C.2(c) is not a reallocation).

VII.C.2(f) ***No Effect on Rights of Shareholders as Owners of Retained Earnings***

In the event of the liquidation of the Bank, or a taking of the Bank's Retained Earnings by any future federal action, nothing in the Retained Earnings Capital Plan Amendment shall change the rights of the holders of the Bank's Class B stock that confer ownership of Retained Earnings, including Restricted Retained Earnings, as granted under section 6(h) of the Act.

VII.D. ***Limitation on Dividends, Stock Purchase and Stock Redemption***

VII.D.1. **General Rule on Dividends**

From the REFCORP Termination Date through the Restriction Termination Date, the Bank may not pay Dividends, or otherwise reallocate funds (except as

expressly provided in §VII.C.2(e), and further provided that a reduction in the Restricted Retained Earnings account following a Net Loss pursuant to §VII.C.2(c) is not a reallocation), out of Restricted Retained Earnings. During a Dividend Restriction Period, the Bank may not pay Dividends out of the amount of Quarterly Net Income required to be allocated to Restricted Retained Earnings.

VII.D.2. Limitations on Repurchase and Redemption

From the REFCORP Termination Date through the Restriction Termination Date, the Bank shall not engage in a repurchase or redemption transaction if following such transaction the Bank's Total Capital as reported to the Finance Agency falls below the Bank's aggregate paid-in amount of capital stock.

VII.E. ***Termination of Retained Earnings Capital Plan Amendment Obligations***

VII.E.1. Notice of Automatic Termination Event

VII.E.1(a) ***Action by FHLBanks***

If the Bank desires to assert that an Automatic Termination Event has occurred (or will occur on the effective date of a change in a statute or the Regulations), the Bank shall provide prompt written notice to all of the other FHLBanks (and provide a copy to the Finance Agency) identifying the specific statutory or regulatory change that is the basis for the assertion. For the purposes of this section, 'prompt written notice' means notice delivered no later than 90 calendar days subsequent to: (1) the date the specific statutory change takes effect; or (2) the date an interim final rule or final rule effecting the specific regulatory change is published in the Federal Register.

If within 60 calendar days of transmission of such written notice to all of the other FHLBanks, at least 2/3 of the then existing FHLBanks (including the Bank) execute a Declaration of Automatic Termination concurring that the specific statutory or regulatory change identified in the written notice constitutes an Automatic Termination Event, then the Declaration of Automatic Termination shall be delivered by the Bank to the Finance Agency within 10 calendar days of the date that the Declaration of Automatic Termination is executed. After the expiration of a 60 calendar day period that begins when the Declaration of Automatic Termination is delivered to the Finance Agency, or is delivered to the Finance Agency by another FHLBank pursuant to the terms of its capital plan, an Automatic Termination Event Declaration Date shall be deemed to occur (except as provided in §VII.E.1(c)).

If a Declaration of Automatic Termination concurring that the specific statutory or regulatory change identified in the written notice constitutes an Automatic Termination Event has not been executed by at least the required 2/3 of the then existing FHLBanks within 60 calendar days of transmission of such notice to all of the other FHLBanks, the Bank may request a determination from the Finance Agency that the specific statutory or regulatory change constitutes an Automatic Termination

Event. Such request must be filed with the Finance Agency within 10 calendar days after the expiration of the 60 calendar day period that begins upon transmission of the written notice of the basis of the assertion to all of the other FHLBanks.

VII.E.1(b) ***Action by Finance Agency***

The Bank may request a determination from the Finance Agency that a specific statutory or regulatory change constitutes an Automatic Termination Event, and may claim that an Automatic Termination Event has occurred, or will occur, with respect to a specific statutory or regulatory change only if the Bank has complied with the time limitations and procedures of §VII.E.1(a).

If within 60 calendar days after the Bank delivers such a request to the Finance Agency, or another FHLBank delivers such a request pursuant to its capital plan, the Finance Agency provides the requesting FHLBank with a written determination that a specific statutory or regulatory change is an Automatic Termination Event, then an Automatic Termination Event Declaration Date shall be deemed to occur as of the expiration of such 60 calendar day period (except as provided in §VII.E.1(c)). The date of the Automatic Termination Event Declaration Date shall be as of the expiration of such 60 calendar day period (except as provided in subsection §VII.E.1(c)), no matter on which day prior to the expiration of the 60 calendar day period the Finance Agency has provided its written determination.

If the Finance Agency fails to make a determination within 60 calendar days after an FHLBank delivers such a request to the Finance Agency, then an Automatic Termination Event Declaration Date shall be deemed to occur as of the date of the expiration of such 60 calendar day period (except as provided in §VII.E.1(c)); provided, however, that the Finance Agency may make a written request for information from the requesting FHLBank, and toll such 60 calendar day period from the date that the Finance Agency transmits its request until that FHLBank delivers to the Finance Agency information responsive to its request.

If within 60 calendar days after an FHLBank delivers to the Finance Agency a request for determination that a specific statutory or regulatory change constitutes an Automatic Termination Event (or such longer period if the 60 calendar day period is tolled pursuant to the preceding sentence), the Finance Agency provides that FHLBank with a written determination that a specific statutory or regulatory change is not an Automatic Termination Event, then an Automatic Termination Event shall not have occurred with respect to such change.

VII.E.1(c) ***Proviso as to Occurrence of Automatic Termination Event Declaration Date***

In no case under this §VII.E.1 may an Automatic Termination Event Declaration Date be deemed to occur prior to: (1) the date the specific

statutory change takes effect; or (2) the date an interim final rule or final rule effecting the specific regulatory change is published in the Federal Register.

VII.E.2. Notice of Voluntary Termination

If the FHLBanks terminate the Agreement, then the FHLBanks shall provide written notice to the Finance Agency that the FHLBanks have voted to terminate the Agreement.

VII.E.3. Consequences of an Automatic Termination Event or Vote to Terminate the Agreement

VII.E.3(a) *Consequences of Voluntary Termination*

In the event the FHLBanks deliver written notice to the Finance Agency that the FHLBanks have voted to terminate the Agreement, then without any further action by the Bank or the Finance Agency: (i) the date of delivery of such notice shall be an Allocation Termination Date; and (ii) one year from the date of delivery of such notice shall be a Restriction Termination Date.

VII.E.3(b) *Consequences of an Automatic Termination Event Declaration Date*

If an Automatic Termination Event Declaration Date has occurred, then without further action by the Bank or the Finance Agency: (i) the date of the Automatic Termination Event Declaration Date shall be an Allocation Termination Date; and (ii) one year from the date of the Automatic Termination Event Declaration Date shall be a Restriction Termination Date.

VII.E.3(c) *Deletion of Operative Provisions of Retained Earnings Capital Plan Amendment*

Without any further action by the Bank or the Finance Agency, on the Restriction Termination Date, §VII of this Capital Plan shall be deleted.