



POLICIES ON BRANCHING

Approved By Board of Directors
mm/dd/yyyy

Contents

I.	Overview.....	1
II.	Purpose	2
III.	Community Divisions	2
	A. Creation	2
	B. Requirements.....	2
	C. Mission.....	2
	D. Oversight.....	2
	E. Autonomy.....	3
	F. Subdivision.....	3
	G. Dissolution.	3
IV.	Branch Offices	3
	A. Creation	3
	B. Oversight.....	4
	C. Dissolution	4
V.	Regional Divisions	4
	A. Creation.	4
	B. Autonomy and Oversight.....	4
	C. Reorganization.....	4
VI.	Dispute Resolution.....	4
VII.	Definitions.....	5

I. Overview

The Bank will segment itself using three very different types of structure, for different purposes: Community Divisions for community-based democratic economics, Branch Offices for the convenience of Depositors, and Regional Divisions for managerial oversight.

Most importantly, a community can establish a Community Division by completing a checklist of simple, well-defined requirements. The Community Division will function as a nearly independent local common good bank, with investment priorities and distribution of profits guided democratically by the local depositors, for the good of the community and the world.

II. Purpose

These Policies on Branching are intended to guide the Bank as it grows, empowering even small, low-income communities to take control of their economic life by creating their own virtual common good bank easily, in a matter of days.

In addition, the Bank's planned community-based structure will save on promotional expenses for the Bank as a whole, increase the soundness of the Bank by distributing risks over multiple communities, assure ongoing capital adequacy and increase many-fold the manageable speed of the Bank's growth, all while preserving the advantages of diverse viewpoints and thinking.

III. Community Divisions

A. Creation

Whenever feasible, Regional Management will support any Community in establishing a Community Division, by providing information, advice, promotional materials and software. Any promotional materials used in organizing must be pre-approved by the Regional Management. Once Regional Management judges that the Community has met the minimum requirements, Regional Management will formally designate a Community Division covering a specific well-defined territory that includes the Community and that does not overlap with the territory of any other Community Division.

B. Requirements

The minimum requirements for a Community Division in a Community are as follows:

1. The Community is home to 50 or more Member Depositors.
2. At least 95% of those Member Depositors have assigned a Proxy or Alternate Proxy who is also a Member Depositor residing in the Community.
3. Member Depositors in the community have elected 3 individuals among them, who have completed a short Division Advisors online training program and have been approved by Regional Management, to serve as the Division Advisors.
4. Individuals and organizations in the Community have deposits in the Bank totaling at least \$200,000.
5. Individuals and organizations in the Community hold stock in the Bank with a total value (at the suggested stock price) equal to 10% or more of their total deposits.
6. At least 1 Stable Nonprofit has agreed, in writing, to assist residents of the Community with account applications and loan applications, including verifying their identity.
7. At least 1 Stable Nonprofit has an always-on internet connection and has agreed (in writing) to house a computer that will share that connection, for processing local Common Good Card transactions (with the Bank paying for the computer, router and extra phone line, but not the internet connection).
8. At least 5 merchants in the Community offer a Substantial Merchant Rebate.
9. At least 1 of those merchants has agreed (in writing) to act as a Virtual ATM, at no cost to the Bank, and has already accepted at least one purchase by Common Good Card.

C. Mission

The mission of each Community Division, like that of the Bank, is to promote the Common Good of the inhabitants of its Community and the Common Good of all people, through sensible and compassionate community-based democratic economics, competing effectively with other financial institutions.

D. Oversight.

Each Community Division will elect 3 Division Advisors who will serve staggered 3-year terms on a Division Advisory Board. Elections will be held annually, using Common Good Democracy. These Division Advisors will be responsible for overseeing the operations of the Community Division and may be paid or unpaid, at the discretion of Regional Management.

All of the operations of the Community Division, including all actions by the Division Advisors will in turn be subject to oversight and control by Regional Management.

E. Autonomy.

Community Divisions will operate autonomously as much as possible under the law, within the demands of legal accountability and oversight by Regional Management. Community Divisions may NOT accept deposits except at a Branch Office. Otherwise a Community Division can enjoy all the benefits of a common good bank and can perform most common good bank functions autonomously, including:

1. A share of the Bank's profits attributable to the Community Division (as calculated by the Bank's computer algorithms) will go into a Community Fund, joined by half of the Common Good Rebates given by local Merchants. Local Member Depositors will be charged with distributing those profits and rebates to advance the Common Good: half in the Community, half to empower people in need elsewhere, with half of that half going to empower people outside the country.
2. Local Member Depositors will also be solely responsible (separately from the Bank) for creating local currency credit, by making local grants and by allocating loan funds for microloans to local small businesses and entrepreneurs, as guided by Depositor Association Rules.
3. As much as is feasible, a share of the Bank's investment funds proportional to the total Bank deposits and stockholdings of local Member Depositors will be available for lending within the Community. Regional Management will allocate these funds to the Community Division subject to existing loan commitments, the availability of qualified borrowers, and overarching policy requirements for cash reserves, loan loss reserves, portfolio diversity, and so forth.
4. Local Member Depositors will also be charged with recommending priorities to the Division Advisors, for lending within the Community.
5. Division Advisors will oversee all Community Division operations, guided by standard Community Division Policies.

F. Subdivision

1. Any Community Division may, by a vote of its Member Depositors, subdivide itself into 2 or more new Community Divisions, subject to certification by Regional Management.
2. Regional Management will also require a Community Division to subdivide when it has too many Member Depositors for productive participatory threshing sessions involving all those interested.

G. Dissolution.

Any Community Division that fails to meet the minimum requirements for a period of 90 days will cease to be a Community Division

IV. Branch Offices

A. Creation

Regional Management may, with regulatory approval, open a Branch Office to serve Depositors in an area, when the Bank's operations for that area are enough to require one or

more full-time employees and when the Bank's profits from the area are enough to cover the cost of a Branch Office; that is, when the area meets the following approximate minimal conditions:

1. The area is home to 1,000 or more Member Depositors.
2. \$5 million in deposits from local Depositors
3. \$500,000 in stock owned by local Member Depositors
4. 50 merchants in the area offer Substantial Merchant Rebates
5. 50 merchants in the area accept the Common Good Card

In order to open the new Branch Office as soon as it is needed, Regional Management will continuously monitor the growth and growth rate of each Community Division so as to begin regulatory applications and other preparations in a timely way. Initially, there will be only one Branch Office, located in the Bank's primary service area.

B. Oversight

All Branch Offices in a region are under the oversight of Regional Management. A Branch Office has no board of advisors or directors and no autonomy.

C. Dissolution

Regional Management may, after consulting local Depositors, close a Branch Office when the area ceases to meet the minimal conditions listed above for creating a Branch Office.

V. Regional Divisions

Each Regional Division will oversee all Bank operations in its region autonomously as much as possible under the law, within the demands of legal accountability and oversight by Bank Management.

A. Creation.

Regional Management may divide its region by establishing additional Regional Divisions, delegating to them most management responsibilities. Initially there will be one Regional Division, covering the "world" region. Every point on Earth will always be covered by exactly one Regional Division.

B. Autonomy and Oversight

Each Regional Division will be led by a Regional Executive Officer (REO), with oversight by a 12 or 14-member Regional Board of Directors: half chosen democratically by the region's Member Depositors, half chosen by the Regional Board. The REO and Regional Board will have responsibilities analogous to the Bank's CEO and Board of Directors. Although the Bank's Board of Directors will continue to have legal responsibility and authority for all operations of the Bank, it is expected that each Regional Division will operate completely independently, subject to Bank policies.

C. Reorganization

The areas covered by Regional Divisions may be revised or a Regional Division dissolved, by agreement of the affected Regional Divisions.

VI. Dispute Resolution

Any dispute between two or more Community Divisions and/or Regional Divisions that cannot be resolved amicably or through mediation by Regional Management within 60 days of the onset of the dispute, will be submitted to binding arbitration at the Judicial Arbitration and

Mediation Services (JAMS) Resolution Center in Boston, Massachusetts. Unless otherwise agreed (or arbitrated), the disputing parties will share the costs of mediation and/or arbitration in proportion to the total deposits held by the Bank for Depositors in each disputant's territory, regardless of which parties are found to be at fault.

VII. Definitions

In this policy document, several terms have a special meaning when capitalized, as follows:

Bank. Common Good Bank of Massachusetts.

Branch Office. A physical office serving nearby Depositors. A Branch Office requires regulatory approval and can offer nearby Depositors some additional features beyond what a Community Division can otherwise offer:

1. in-person deposits, cashiers checks and travelers checks (These services are available by mail, for customers without a nearby Branch Office.)
2. safe deposit boxes
3. in-person meetings with Bank officers and customer service agents
4. drive-through services
5. currency deposits
6. foreign currency exchange

Common Good.

1. First and Foremost, the well-being of every person, including adequate food, clothing, shelter, healthcare, education, community, satisfying work, rest, and self-determination, empowering those most in need,
2. Second, peace and justice — a spirit of cooperation and community between all people, with compassionate sharing of the world's resources; and
3. Third, a healthy, sustainable planet, with clean air, clean water, clean earth and a healthy and diverse population of animals and plants.

Common Good Account. Each depositor in a community can open a Common Good Account, partially linked to the Common Good Accounts of the other depositors in the community. These accounts will work just like ordinary deposit accounts (checking, savings and CDs) except that:

1. depositors must buy at least two dollars worth of stock for each family member,
2. there will be no minimum monthly balance on individual Common Good Accounts, as long as the group as a whole maintains an adequate minimum balance, and
3. depositors agree to cooperate automatically in the specific ways that permit fluid stock accounts, stock-backed reserve credit, automatic merchant rebates, Common Good Card processing, and a local currency system.

Common Good Rebate. A percentage rebate offered to Depositors by a merchant, on purchases by Common Good Card, by internet transfer or by Common Good Bank check — half the rebate going to the customer and half to the Community Fund for the merchant's Community.

Community. Any contiguous geographic community, sharing a sense of commonality and normally no larger across in any direction than the distance a person can walk in a day (about

20 miles). For example, the Bank's initial Primary Service Area is a Community and each of its nine towns is a Community.

Community Division. An ensemble of Bank services to a specific Community, designated by the Bank. For the first three months after opening, only the Bank's Primary Service Area will be a Community Division. A Community Division functions, in effect, as a virtual common good bank for its Community, with or without a nearby Branch Office. In particular, a Community Division has the following features that are not available to Depositors outside a Community Division:

1. Responsibility for guiding the use of a local share of the Bank's profits and investment capital. (Depositors outside a Community Division are collectively responsible for guiding half of the Bank's profits and investment capital not allocated to any specific Community Division.)
2. A local phone number and computer infrastructure for processing the Common Good Card. (Outside a Community Division, merchants can process Common Good Card transactions only with a long distance phone call or through the internet.)
3. Local help with account applications and loan applications.
4. Local currency.

Depositor. A depositor in the Bank.

Member Depositor. An individual (human) Depositor who owns stock in the Bank and has a Common Good Account. In counting Member Depositors for various minimum requirements, each person is counted just once and only one Depositor is counted for each account.

Regional Division. A division of the Bank responsible for overseeing Bank operations in a specific region, including one or more Community Divisions.

Regional Management. The management team of a Regional Division, initially the Bank's overall management team, led by the CEO, with oversight by the Board of Directors.

Stable Nonprofit (a) A branch of local government (for example, a library or school) or (b) a nonprofit organization that has grown in membership and budget in at least four of the past five years and that can confidently be expected to flourish in its Community for the next 20 years.

Substantial Merchant Rebate. A large enough Common Good Rebate offered by a merchant, so that if all purchases by residents of the merchant's Community qualified, then the merchant's total monthly rebates would be \$200 or more (for example, \$10,000 monthly gross sales to local residents, with a 2% rebate).

Virtual ATM. A merchant who, as a service to the Community, will accept a customer's Common Good Card, transfer credit from the customer's account to the merchant's account, and give the customer cash equal in value to the credit transferred, without cost to the merchant and charging the customer at most 25 cents.