



City of Annapolis

Department of Planning & Zoning
145 Gorman Street, 3rd Fl
Annapolis, MD 21401-2535

PlanZone@annapolis.gov • 410-263-7961 • Fax 410-263-1129 • TDD use MD Relay or 711 • www.annapolis.gov

Community Development Block Grant (CDBG) Program

Project Request for Fiscal Year 2022 Funds

Deadline: Thursday, December 3, 2020, at 4:30 p.m.

Organization name The Arc of the Central Cheapeake Region, Inc.
Address 1332 Donald Avenue, Severn, MD 21144
Phone 410.269.1883 Fax 410.384.4015 Email info@thearcccr.org
Contact Angie DeMoreland Title Director of Operations
Address 1332 Donald Avenue, Severn, MD 21144
Phone 410.384.4022 Fax 410.384.4015 Email ademoreland@thearcccr.org
Federal ID # 52-6047882 DUNS # 078292653
Incorporation Date March 16, 1961 State Maryland
501(c) (3) Registration date March 16, 1961
Project title Spa Drive Accessibility & Improvement Project
CDBG amount requested \$ 44,460.00 Total project amount \$ 95,129.00
Project location 76-78 Spa Drive, Annapolis, MD 21401
Eligible activity Capital Project - Rehabilitation
Faith-based Organization ☐ Yes ☒ No

Certification

"I certify that I have reviewed this application and that to the best of my knowledge and belief, all the information provided in this application is true."

Signature of Chief Executive Officer

12/3/20

Date

Print name Jonathon Rondeau

Title President & CEO

EXECUTIVE SUMMARY

In one page or less, please provide a brief summary of your project. Please be sure to include the following items: purpose of the project, how many people will be served, and how the funds will be used.

Since 1961, The Arc Central Chesapeake Region (The Arc) has been at the forefront of providing innovative support, solutions, and advocacy for people with intellectual and developmental disabilities. Our mission is to promote respect, create opportunities, facilitate services, and advocate for equal rights for all people with intellectual and developmental disabilities. Today we support 326 people (and growing) throughout the arc of their life in Anne Arundel County and eight counties on the Eastern Shore. The Arc believes in safe, affordable and accessible housing with appropriate supports for all, and is committed to matching people with living options that are customized to the person, reflecting their personality and lifestyle. Chesapeake Neighbors, LLC, a wholly owned subsidiary of the The Arc, supports the residential needs of people with a disability for The Arc Central Chesapeake Region.

For 32 years, six persons with intellectual and/or developmental disabilities (currently ranging in age from 31 to 80), have made the City of Annapolis their home. The six persons are well known to their neighbors, walk to the local bus stop to use public transportation to and from their work, and several are avid gardeners. They shop at local stores, utilize the local banks, and attend local churches for worship services. Their home is a duplex located at 76-78 Spa Drive in Annapolis which has been rented at minimal cost by The Arc from the State of Maryland with The Arc responsible for maintenance and repairs.

We are seeking assistance for renovations to the home. The goal of this project is to enhance the accessibility of the home and the residents' quality of life, provide an improved exterior to enhance the neighborhood's appearance, and contribute to a greater sense of community.

The home is one-level, 4,080 sq. foot, and has two entry doors in the front flanking two sliding doors. The current door configuration is impeding the ability of the persons living there to best utilize their personal space. The residents of the rooms with the sliding doors need additional space for adaptive equipment and furniture, so replacing the sliding doors with a windowed wall will allow for greater flexibility and maximum utility of the space. This request will also support the replacement of gutters, downspouts, fascia and soffit, patching and painting the brick exterior, replacing the two front doors with storm doors, and replacing damaged siding with new Hardie siding known for its longevity and strong return on investment. It is important to note that over time the house has settled, therefore, prior to completing these upgrades we will need to address the settlement cracks in the brick with some demolition, concrete, and masonry work. The project will increase accessibility and sustainability of an important affordable home for six people with significant disabilities.

The CDBG funds would be used to assist with \$44,460 of the renovation costs. The total project costs are estimated at \$95,129.

A. DESCRIBE THE PROBLEM

Describe the specific problem(s) the project is intended to help solve and the people it is intended to help. Please include data used to identify and verify the need for the project such as Census data, waiting list information, and/or other statistics.

Per the National Low Income Housing Coalition, no state has an adequate supply of affordable rental housing for the lowest income renters. Maryland is below the national average of eligible units and for people with disabilities, the situation is more dire. In the December 2017 report, *Priced Out: The Housing Crisis for People with Disabilities*, "demonstrates that non-elderly adults with disabilities who rely on Supplemental Security Income are among the groups most severely affected by the extreme shortage of affordable rental housing across our nation." In 2020 in Maryland, a person with a disability receives a maximum of \$783 in SSI benefits per month which equates to 15% of the area median income. This means a person with a disability receiving SSI would have to pay 149% of their monthly income to rent an efficiency unit or 167% of their monthly income for a one-bedroom unit.

Collectively, the six residents of the Spa Rd. property earn just under \$74,000 - significantly below the the maximum CDBG Household Income of \$91,000 of Area Median Income for a household of six. Individually, the average monthly income is just \$1,025 with the highest earner at \$20,665 per year and the lowest earner at \$9,396 per year. Without assistance, this group would most definitely be priced out of housing in Annapolis.

The City of Annapolis special needs goals reflect providing affordable, decent, safe, sound, and accessible housing for people with disabilities and to improve the accessibility of renter occupied housing by making reasonable accommodations for the physically disabled. The Arc's goals include renovation of the existing home to enhance long-term livability and to provide safe and accessible housing, without displacing any persons from their current home.

The home is located at 76-78 Spa Drive in Annapolis, a state owned duplex group home licensed by the Developmental Disabilities Administration (DDA). The Arc has been renting this home for 32 years. The Arc maintains the home to the best of its ability. To date, the home has had significant accessibility modifications including adding an outside accessibility ramp, two new bathrooms, total renovation of the lower living unit with an accessible 1-bedroom unit which includes a bath, kitchen and living space, making the home more livable for residents with a disability. However, there are additional structural enhancements that need to be addressed in order for this aging home to continue serving the needs of people with intellectual and developmental disabilities. Unfortunately, the DDA funds allocated to people with disabilities barely addresses their service needs let alone the \$95,129 needed for these renovations. The final outcome of this project is: six persons with intellectual and/or developmental disabilities will be able to continue living in this home even as they age and their disabilities become more complex.

B. DESCRIBE THE PROJECT

Describe the project and the activities that your organization will perform or services that will be provided, i.e. how this project is the solution to the previously described problem, and how your organization will use the CDBG funds.

The Spa Rd. home accessibility and improvement project will be overseen by Chesapeake Neighbors, LLC, a wholly owned subsidiary of The Arc Central Chesapeake Region. Chesapeake Neighbors supports the residential needs of people with intellectual and developmental disabilities served by The Arc in Anne Arundel County and eight counties on the Eastern Shore. With over 10 years of proven success in building and maintaining affordable homes for people with a disability under Chesapeake Neighbors, The Arc is a strong partner in the City of Annapolis' commitment to the low-income community.

This project retains four quality affordable units for people with a disability residing within the city. Five of the people who currently occupy this rental home have lived there for over 20 years.

The Arc's previous renovations vastly improved the living conditions and made the home more accessible to the residents with intellectual and/or developmental disabilities. Previous upgrades have allowed the people living in the home to age in place, without loss of neighbors and friends, disruption of their schedule and with consistent access to bus lines and city services. Landlords typically raise rents to help cover the cost of upkeep and needed renovations. However, The Arc is committed to maintaining homes that are affordable to people with a disability on even the most modest of incomes.

Funding from CDBG will be used to support the needed renovations.

A high-level plan of work is outlined below:

- Address settlement cracks in the brick to include demolition, concrete and masonry work
- Remove two sliding doors, infill openings with brick and install windows
- Install two new doors
- Remove existing siding and louver and install hardiboard siding
- Paint exterior brick, doors, frames, windows, railings and shutters
- Remove and install new gutters, downspouts, fascia and soffit
- Replace disturbed landscaping

Estimate received from BuilderGuru Contracting, Inc. and Gardiner & Gardiner Contracting, LLC (BGC/G&G) included as supporting attachment.

C. PROJECT LOCATION AND BENEFICIARIES

1. What is the location of the proposed project?

76-78 Spa Drive, Annapolis, MD 21401

2. Are you serving clients ☒ citywide or is there a ☐ service area? (Please check one)

If there is a service area(s) for this project, please describe the boundaries of the service area and provide census tract numbers and a map.

3. Does another organization provide the same service in the same service area?

☐ Yes ☒ No

If yes, please explain why both projects are needed to meet a need.

4. Number of people will directly benefit from this project 6

Of those, number who are low and moderate income 6

CDBG cost per low and moderate income persons. \$44,460/6 persons=\$7,410

5. Please, identify the number of persons with special needs that this project will serve, if applicable.

| | |
|--|----------|
| Persons who are homeless | _____ |
| Persons with physical disabilities | _____ |
| Persons with mental illness | _____ |
| Persons with HIV/AIDS | _____ |
| Elderly persons | _____ |
| At-risk children and youth | _____ |
| Other (specify) <u>Intellectual & Developmental</u> Disabilities | <u>6</u> |

6. Describe how you will provide documentation that the beneficiaries are low and moderate income persons or households. (Please see the income limits on page 2 of the application guidelines).

The Arc is the representative payee for the people residing in this home and we are responsible for collection and reporting of their monthly income. All 6 people are dependent on SSI/SSID income.

D. OUTCOME AND PERFORMANCE MEASUREMENT

Program Component (Please check **ONE** appropriate box that corresponds to the purpose for which funding is being requested.)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Housing | <input type="checkbox"/> Public Facilities and Improvements |
| <input type="checkbox"/> Public Services | <input type="checkbox"/> Economic Development |
| <input type="checkbox"/> Homeless Activities | |

Program Objective (Please check **ONE** appropriate box which corresponds to the Objectives established by HUD)

- | | | |
|--|--|--|
| <input type="checkbox"/> Suitable Living Environment | <input checked="" type="checkbox"/> Decent Housing | <input type="checkbox"/> Creating Economic Opportunities |
|--|--|--|

OUTCOMES – The benefits to individuals, families, organizations and the community resulting from a program or activity. Outcomes are produced during or after their involvement in an activity. The outcomes may be one of the following: (1) Availability/Accessibility of services, (2) Affordability of services, or (3) Sustainability (Promoting livable or viable communities). Please check **ONE** desired outcome.

- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> Availability/Accessibility | <input type="checkbox"/> Affordability | <input type="checkbox"/> Sustainability |
|--|--|---|

OUTCOME MEASUREMENT – Describe evaluation tools, methods and benchmarks to measure achievements of the outcome

This project meets the availability & accessibility of services outcome as it benefits people of very low income. It also meets the City's objective in that the Spa Drive property retains four quality, affordable units and with this new upgrade will improve accessibility and sustainability of the property. To date, the home has had significant accessibility modifications including outside handicap ramp added, two new bathrooms, total renovation of the lower living unit that includes an accessible 1-bedroom unit which includes a bath, kitchen and living space, making the home more livable for those residing there.

D. LOCAL GOALS

1. Which Consolidated Plan goal does your project meet? Please check ONE of the following:

Housing Goals

- ☐ Continue to provide financial assistance to low- and moderate-income homeowners to rehabilitate their existing owner-occupied housing.
- ☐ Provide support to affordable housing developers/owners, and public housing authorities to rehabilitate housing units that are rented to low- and moderate-income tenants.
- ☐ Provide support for new construction of affordable rental units.
- ☐ Provide funds to acquire and rehabilitate vacant buildings for homeownership for low- and moderate-income households.
- ☐ Provide settlement expense assistance to eligible households to purchase a home.

Homeless Goals

- ☐ Provide funding for outreach workers that provide services to street homeless.
- ☐ Assist providers in the operation of housing and support services for the homeless by providing operating funds for shelter, services, and capital improvements.

Special Needs Goals

- ☒ Provide funds for the rehabilitation of existing buildings which house individuals with special needs.

Community Development Goals

- ☐ Support improvement of public facilities serving low and moderate-income persons. Support Vital Public Services concerned with assisting children and youth, providing persons with office skills training and job training, providing persons with information and referral and other services that promote family stability and self-sufficiency.

Employment Goals

- ☐ Support and encourage job creation, job retention, and job training opportunities.

Administration Goals

- ☐ Provide program management and oversight for the successful administration of Federal, state, and local funded programs, including planning services for special studies, environmental clearance, fair housing, and compliance with all Federal, state, and local laws and regulations.

2. Please explain how the proposed project addresses the local goal selected.

The people who occupy this rental home have lived there for over 20 years. The previous renovations have vastly improved the living conditions and made the home more accessible to people with intellectual and developmental disabilities. The previous upgrades have allowed the people living in the home to continue to live there and age in place, without disruption to their schedule and with availability to bus lines and city services.

With assistance from the CDBG funding and The Arc Central Chesapeake Region, these persons are able to maintain their home in a way that the community would enjoy and are able to continue to live in the community of their choice. Locating a home that is not only affordable but also accessible is becoming more of a challenge to people with limited resources, and maintaining affordable, quality housing is vital.

E. ORGANIZATION EXPERIENCE AND CAPACITY

| | Full time | Part time |
|--|-----------|-----------|
| 1. Number of paid staff | 251 | 81 |
| 2. Number of paid staff that will work on this project | 0 | 1 |
| 3. Number of volunteer staff | 0 | 0 |
| 4. Describe your organization's mission, current activities, and how your proposed project furthers that mission and current activities. | | |

Since 1961, The Arc has been at the forefront of providing innovative support, solutions, and advocacy for people with intellectual and developmental disabilities. Serving nine counties, we support 326 people (and growing) throughout the arc of their life, helping families, creating opportunities for people with I/DD to find meaningful jobs at sustainable wages in partnership with the person served to reach their employment outcomes, and matching people with living options that are customized to the person. We also offer fiscal management services to people who choose self direction.

5. Describe your organization's most recent key accomplishments.

Considering the major impact COVID-19 has had on our operations, The Arc is proud of its ability to have maintained uninterrupted critical support services for people with intellectual & developmental disabilities in the areas of community living (congregate housing), behavioral supports, family supports, personal supports, and fiscal management services. Even amidst the current landscape we have been able to bring new people in need of supports into services.

6. Please, discuss your organization's administrative capacity to carry out the project successfully, e.g., has previous experience with similar projects.

Jonathon Rondeau, President & CEO of The Arc, has provided leadership across many organizations to create opportunities for self-sufficiency and independence for people with disabilities and those traditionally underserved. He led the completion of the \$4.5 million capital project for The Arc's Headquarters in Severn, MD. Angie DeMoreland, Director of Operations for Chesapeake Neighbors and The Arc, has over 10 years of experience in effective management. She also has extensive experience with construction budgets and project management. The Arc and Chesapeake Neighbors has an annual maintenance program and replacement schedule for all properties with a dedicated maintenance team to ensure completion.

7. Please discuss your organization's financial capacity. Please describe the fiscal management, disbursement methods, financial reporting, record keeping and accounting procedures.

The Arc is currently operating with a \$21,044,042 budget. The annual budget is prepared by the CFO and submitted to the Board Finance Committee and the Board of Directors for approval prior to the end of the preceding fiscal year. YTD financial statements with YTD budget comparison are prepared by the CFO and reviewed with the Board Finance Committee and the Board of Directors at every board meeting. Deviations from budget are explained.

8. What is the amount of your organization's current annual operating budget?

\$ 21,044,042

9. List your major source(s) of funding:

DDA, State of Maryland

\$ 20,331,130

Section 8

\$ 372,492

Fundraising and other revenue

\$ 340,420

\$

F. PROJECT BUDGET for PUBLIC SERVICES PROJECTS

| Budget item | CDBG funds requested | Other funding | Source (Federal, State, Private) | Other funding committed or requested? | Total project cost |
|-------------------------------|----------------------|---------------|--|---------------------------------------|--------------------|
| Salaries (list each position) | \$ | \$ | | | \$ |
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| | | | | | |
| Rent/Leasing Costs | | | | | |
| Telephone | | | | | |
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| | | | | | |
| Travel | | | | | |
| Contract Services | | | | | |
| Equipment | | | | | |
| Insurance | | | | | |
| Office Supplies | | | | | |
| Printing/Postage | | | | | |
| Audit/Accounting | | | | | |
| Other (please describe) | | | | | |
| | | | | | |
| | | | | | |
| Total Budget | \$ | \$ | | | \$ |

2. Will you use volunteers or in-kind contributions for this project, please explain.

| | |
|--|--|
| | |
|--|--|

G. PROJECT BUDGET FOR CAPITAL PROJECTS

| Budget Item | Total amount of CDBG Requested | Other Funds | Source (Federal, State, Private) | Other funding committed or requested? | Total Project Costs |
|------------------------------|--------------------------------|-----------------|----------------------------------|---------------------------------------|---------------------|
| <i>PROJECT COSTS</i> | \$ | \$ | | | \$ |
| Acquisition | | | | | |
| a. Cost of Building or Land | | | | | |
| b. Settlement Costs | | | | | |
| Hard Construction Costs | | | | | |
| a. Cost of Construction | \$36,775 | \$42,000 | | | \$78,775 |
| b. Contingency | | | | | |
| Relocation Costs | | | | | |
| Holding Costs | | | | | |
| Architecture and Engineering | | | | | |
| Construction Administration | \$3,080 | \$3,474 | | | \$6554 |
| Application Fee | | | | | |
| Environmental/Lead Survey | | | | | |
| Marketing | | | | | |
| Permits & Fees | | | | | |
| Appraisals | | | | | |
| Hazard & Builders Risk | \$305 | \$345 | | | \$650 |
| Taxes (Property) | | | | | |
| Accounting | | | | | |
| Legal | | | | | |
| Title/Recording | | | | | |
| Inspection Fees | | | | | |
| Other: General Conditions | \$4,300 | \$4,850 | | | \$9150 |
| TOTAL | \$44,460 | \$50,669 | | | \$95,129 |

2. Will you use volunteers or in-kind contributions for this project, please explain.

The Arc will not be requesting any funds for the management and developmental costs associated with this project. The time and commitment of the Director of Operations for Chesapeake Neighbors, will be donated and therefore in-kind support. We fully expect that a significant percentage of our time will be devoted to the management of this project during renovations.

FOR CAPITAL PROJECTS ONLY

PROPERTY INFORMATION

(Complete only if the project involves property acquisition, construction, and/or rehabilitation.)

1. Where is the project located or to be located?

Annapolis, Maryland 21401

2. If the project is to be located at a specific location, please give the address.

76-78 Spa Drive, Annapolis, MD 21404

3. Please describe the current use of the proposed location for the project.

The current use of the property is a residential site for 6 persons with intellectual and/or developmental disabilities.

4. If the proposed project is for a specific location, do you have site control (deed, contract of sale)? ☒ Yes ☐ No

If no, please describe plans for obtaining site control with an estimated date for when you plan to have site control.

Attachments include email communication confirming site control and a copy of the 2020 lease with The Arc signature (awaiting a copy of the most recent fully executed lease with the State's signature); will share once received.

5. If the proposed project is for a specific location, what is the current zoning for the site?

The site is zoned residential.

6. Demonstrate how the proposed project is in compliance with local zoning codes and land use designations or describe any zoning or land use challenges currently being reviewed that may affect the project.

The proposed project does not create any problems with zoning.

7. Will Davis Bacon wages rates apply? ☐ Yes ☒ No

CONFLICT OF INTEREST QUESTIONNAIRE

The Code of the City of Annapolis prohibits "employees" and "officials" of the City, as defined by [Chapter 2.08](#) of the City Code, from participating on behalf of the City in any matter in which they have certain financial or business interests. Each applicant for Community Development Block Grant (CDBG) funding from the City shall complete and submit this Conflict of Interest Questionnaire to allow the City to determine if the applicant or any of its staff, employees, Board of Directors, officers, and/or governing body would be in a conflict of interest under the City Code.

- a. Is there any member(s) of the applicant's staff, employees, Board of Directors, officers, and/or governing body who currently is or has/have been within one (1) year of the date of this application a City employee, official, or consultant, or a member of the City Council?

☐ Yes ☒ No

If yes, please list the names(s) and City position below:

- b. Will the CDBG funds requested by the applicant be used to award a subcontract to any individual(s) or business affiliate(s) who currently is or has/have been within one (1) year of the date of this application a City employee, official, consultant, or a member of the City Council?

☐ Yes ☒ No

If yes, please list the name(s) and City position below:

- c. Is there any member(s) of the applicant's staff, employees, Board of Directors, officers, and/or other governing body who are business partners and/or family members of a City employee, official, or consultant, or a member of the City Council?

☐ Yes ☒ No

If yes, please list the name(s) and the business partner's/family member's City position below:

If you have answered "YES" to any of the above, the CDBG Office and the City shall review those financial and/or business interests to determine whether a real or apparent conflict of interest exists between the applicant and the acceptance of CDBG funding from the City.

Name of Applicant's Authorized Official: Jonathon Rondeau

Authorized Official's Title: President & CEO

Signature of Authorized Official: 

**CITY OF ANNAPOLIS
COMMUNITY DEVELOPMENT BLOCK GRANT FY 2022**

DOCUMENT CHECK LIST

- ☒ 1 original
- ☒ IRS tax-exempt determination letter
- ☒ Copy of your Articles of Incorporation
- ☒ Bylaws
- ☒ Project Map
- ☒ Recent (within 6 months) Certificate of Good Standing from the Maryland Department of Assessments and Taxation (Call 410-767-1340 to obtain a Certificate)
- ☒ Current list Board of Directors
- ☒ Name your accountant and/or attorney
- ☒ Copy of your latest Audit/Financial Statement or Federal Tax Form 990
- ☒ Signature of Chief Executive Officer
- ☒ If this is a rehabilitation or construction project, provide evidence of site control, e.g., deed, lease, etc.
- ☒ If capital project, provide evidence of zoning compliance
- ☒ Signed Conflict of Interest Form

CDBG Staff Only

All forms are included/complete: ☐ Yes ☐ No

Reviewer signature _____ Date _____

ATTACHMENT 1:
IRS TAX-EXEMPT DETERMINATION
LETTER **& CONFIRMATION OF**
501(c)3 STATUS

INTERNAL REVENUE SERVICE

**FAX TRANSMISSION
Cover Sheet**Date: June 13, 2019**To: Jonathan Rondeau**

Address/Organization: _____

Fax Number: (410) 384-4015 Office Number: _____**From: Whetton William F Jr**Address/Organization: Internal Revenue ServiceFax Number: _____ Office Number: 801-620-5397Number of pages: *Including cover page***Subject:**

This communication is intended for the sole use of the individual to whom it is addressed and may contain confidential information that is privileged, confidential and exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited by the provisions of the Internal Revenue code. If you have received this communication in error, please contact the sender immediately by telephone. Thank you.



Department of the Treasury
Internal Revenue Service
Ogden, UT 84201

In reply refer to: 0441896521
Jun 13, 2019 LTR 147C
52-6047882

THE ARC OF THE CENTRAL CHESAPEAKE REGION INC
1332 DONALD AVE
SEVERN MD 21144-0000 000

Taxpayer Identification Number: 52-6047882

Form(s):

Dear Taxpayer:

Thank you for your telephone inquiry of June 13th, 2019.

Your Employer Identification Number (EIN) is 52-6047882. Please keep this letter in your permanent records. Enter your name and your EIN on all business federal tax forms and on related correspondence.

If you have any questions regarding this letter, please call our Customer Service Department at 1-800-829-0115 between the hours of 7:00 AM and 7:00 PM. If you prefer, you may write to us at the address shown at the top of the first page of this letter. When you write, please include a telephone number where you may be reached and the best time to call.

Sincerely,

/S/ WILLIAM F. WHETTON JR.
1002889751
Customer Service Rep

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Date: FEB 05 2008

THE ARC THE CENTRAL CHESAPEAKE REGION INC
931 SPA RD
ANNAPOLIS, MD 21401

Person to Contact:
Gloria Robinson 31-08224
Toll Free Telephone Number:
877-829-5500.
Employer Identification Number:
52-6047882

Dear Sir or Madam:

This is in response to your request of December 1, 2007, regarding your tax-exempt status. We have updated our records to reflect the name change from THE ARC OF ANNE ARUNDEL COUNTY INC to THE ARC OF THE CENTRAL CHESAPEAKE REGION INC.

Our records indicate that a determination letter was issued in December 1973 that recognized you as exempt from Federal income tax, and reflect that you are currently exempt under section 501(c)(3) of the Internal Revenue Code.

Our records also indicate you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



Cindy Westcott
Manager, Exempt Organizations
Determinations

**Notice to exempt organizations holding
previously-issued exemption certificates**

The Maryland Revenue Administration Division is re-issuing sales tax exemption certificates to all organizations that continue to qualify. Your organization's new certificate is attached and is valid effective immediately. Previously issued exemption certificates become invalid on October 1, 2017. Vendors are required to charge tax on sales made on or after October 1, 2017, to any organization which does not present a new certificate at the time of sale.

If your organization deals regularly with certain vendors, we suggest that you contact them before October 1, 2017, so they can verify that your organization has been issued a new certificate.

The re-issuance of these certificates does not change current procedures for claiming resale exclusions by exempt organizations engaged in purchasing tangible personal property for sale. The sales and use tax registration numbers of licensed vendors have not been changed and the validity of blanket resale certificates bearing these numbers is unaffected.

Please note that only one certificate will be provided to organizations with more than one location.

**Comptroller of Maryland
Revenue Administration Division**
P.O. Box 2998-SUTEC
Annapolis, Maryland 21404-2998

The attached card is your organization's new exemption certificate which is valid upon receipt and effective until the expiration date designated on its face. Please read Tax Tip #6 at www.marylandtaxes.com and the instructions on the back of the card for the proper use of the exemption certificate. If you have any questions regarding the use of this card, please call the Taxpayer Service Section at (410) 260-7980, toll free 1-800-638-2937, or e-mail at taxhelp@comp.state.md.us.

**Comptroller of Maryland
Sales and Use Tax Exemption Certificate**

Account Number
21401671

Expiration Date
09/30/2022

Name
ARC OF THE CENTRAL CHESAPEAKE
REHABILITATION
981 SPA ROAD
ANNAPOLIS, MD 21403

PLEASE LAMINATE THIS CARD TO EXTEND ITS LIFE

04060

NONGOV-1 (REV 2/17)

ATTACHMENT 2:
ARTICLES OF INCORPORATION

State of Maryland
Department of
Assessments and Taxation

Charter Division



Martin O'Malley
Governor

C. John Sullivan, Jr.
Director

Paul B. Anderson
Administrator

Date: 07/17/2007

SAUL EWING, LLP
KIMBERLY L. BEARD - PARALEGAL
9TH FLOOR
500 EAST PRATT STREET
BALTIMORE MD 21202

THIS LETTER IS TO CONFIRM ACCEPTANCE OF THE FOLLOWING FILING:

ENTITY NAME : THE ARC OF THE CENTRAL CHESAPEAKE REGION, INC.
DEPARTMENT ID : D00253344
TYPE OF REQUEST : ARTICLES OF AMENDMENT / NAME CHANGE
DATE FILED : 07-17-2007
TIME FILED : 04:13 PM
RECORDING FEE : \$100.00
EXPEDITED FEE : \$50.00
POSTAGE FEE : \$5.00
FILING NUMBER : 1000361995035478
CUSTOMER ID : 0001994630
WORK ORDER NUMBER : 0001437668

PLEASE VERIFY THE INFORMATION CONTAINED IN THIS LETTER. NOTIFY THIS DEPARTMENT
IN WRITING IF ANY INFORMATION IS INCORRECT. INCLUDE THE CUSTOMER ID AND THE WORK
ORDER NUMBER ON ANY INQUIRIES.

Charter Division
Baltimore Metro Area (410) 767-1350
Outside Metro Area (888) 246-5941

301 West Preston Street-Room 801-Baltimore, Maryland 21201-2395
Telephone (410)767-4950 / Toll free in Maryland (888)246-5941
MRS (Maryland Relay Service) (800)735-2258 TTY/Voice- Fax (410)333-7097
Website: www.dat.state.md.us

0004658000

CACCP

ENTITY TYPE: ORDINARY BUSINESS - NON-STOCK
STOCK: N
CLOSE: U
EFFECTIVE DATE: 07-17-2007
PRINCIPAL OFFICE: 49 OLD SOLOMONS ISLAND ROAD
SUITE 100
ANNAPOLIS MD 21401
RESIDENT AGENT: KATHLEEN L. ROLLASON
49 OLD SOLOMONS ISLAND ROAD
SUITE 100
ANNAPOLIS MD 21401
COMMENTS:
THIS AMENDMENT RECORD INDICATES THE NAME CHANGE
FROM: THE ARC OF ANNE ARUNDEL COUNTY, INC.
TO: THE ARC OF THE CENTRAL CHESAPEAKE REGION, INC.

THE ARC OF ANNE ARUNDEL COUNTY, INC.

RECEIVED
DEPARTMENT OF
ASSESSMENT & TAXATION
2007 JUL 17 P 3:31

ARTICLES OF AMENDMENT

THIS IS TO CERTIFY THAT:

The Articles of Incorporation of The Arc of Anne Arundel County, Inc. a Maryland corporation (the "Corporation"), are hereby amended by deleting existing Article I in its entirety and inserting, in lieu thereof, a new article to read as follows:

"Article I.: NAME

The name of this organization (which is hereinafter referred to as the "Corporation") shall be: The Arc of the Central Chesapeake Region, Inc."

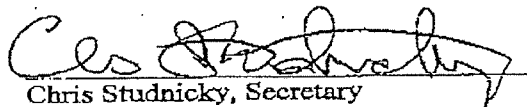
The amendment to the Articles of Incorporation of the Corporation as set forth above has been duly advised by the board of directors and approved by the members of the Corporation as required by law.

The undersigned President acknowledges these Articles of Amendment to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of the President's knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles to be signed in its name and on its behalf by its President and attested to by its Secretary on this 13 day of July, 2007.

ATTEST:

THE ARC OF ANNE ARUNDEL COUNTY, INC.


Chris Studnicky, Secretary

By:  (SEAL)
David Rosenthal, President

CUST ID:0001994630
WORK ORDER:0001437668
DATE:07-17-2007 04:13 PM
AMT. PAID:\$155.00

CERTIFICATE OF

☒

MERGER

☐

TRANSFER

☐

CONSOLIDATION

☐

SHARE EXCHANGE

TO: ☒

Clerk of the Circuit Court for ANNE ARUNDEL COUNTY

☐

Assessments and Taxation Office of State Department of

The State Department of Assessments and Taxation of Assessments and Taxation does hereby certify that Articles of MERGER have been filed in this office on JULY 7, 1998 at 2:30 p.m.

1) The name of each party to the Articles is ALTERNATIVE LIVING, INC. (A MD CORPORATION) (MERGING) into THE ARC OF ANNE ARUNDEL COUNTY, INC. (A MD CORPORATION) (SURVIVING).

2) The name of the successor and the location of its principal office in this State of if it has none, its principal place of business is

N/A

As Witness my hand And the official seal of the said Department At Baltimore this 31st. day of AUGUST 1998.

STATE DEPARTMENT OF REVENUE
AND TAXATION
ARTICLES OF MERGER

BETWEEN

APPROVED FOR RECORD

07/01/98 at 2:30 p.m.

ALTERNATIVE LIVING, INC.

AND

THE ARC OF ANNE ARUNDEL COUNTY, INC.

THIS IS TO CERTIFY THAT:

FIRST: The Arc of Anne Arundel County, Inc. and Alternative Living, Inc. agree to merge in the manner set forth in these Articles.

81838037

SECOND: The Arc of Anne Arundel County, Inc. is the corporation to survive the merger.

THIRD: Both The Arc of Anne Arundel County, Inc. (the "Surviving Corporation") and Alternative Living, Inc. (the "Merging Corporation") are incorporated under the laws of the State of Maryland.

FOURTH: The principal office of the Surviving Corporation in the State of Maryland is located in Anne Arundel County and the principal office of the Merging Corporation in the State of Maryland is located in Anne Arundel County.

FIFTH: The Merging Corporation owns interests in land located in Anne Arundel County of the State of Maryland.

SIXTH: Both the Surviving Corporation and Merging Corporation are nonstock corporations.

SEVENTH: Upon the Effective Date, the Merging Corporation shall be merged into the Surviving Corporation; the Surviving Corporation shall possess any and all purposes and powers of the Merging Corporation; and all leases, licenses, property, rights, privileges, and powers of whatever nature and description of the Merging Corporation shall be transferred to, vested in and devolved upon the Surviving Corporation, without further act or deed, subject to all of the debts and obligations of the Merging Corporation.

EIGHTH: The terms and conditions of the transaction described in these Articles were duly advised, authorized and approved by the Merging Corporation in the manner and by the vote required by the laws of the State of Maryland and the charter of the Merging Corporation, as follows:

RECEIVED

a) A two-thirds (2/3) vote of the entire Board of Directors of the Merging Corporation, at a meeting duly convened and held, adopted a resolution declaring that the terms and conditions of the transaction described herein were advisable, authorized and approved.

b) The Merging Corporation does not have any members.

NINTH: The terms and conditions of the transaction described in these Articles were duly advised, authorized and approved by the Surviving Corporation in the manner and by the vote required by the laws of the State of Maryland and the charter of the Surviving Corporation, as follows:

a) A majority vote of the entire Board of Directors of the Surviving Corporation, at a meeting duly convened and held, adopted a resolution declaring that the terms and conditions of the transaction described herein were advisable and directing that the proposed transaction be submitted for consideration by the members of the Surviving Corporation.

b) Notice stating that a purpose of the meeting of members would be to take action upon the proposed terms and conditions of the transaction described herein was given, as required by law, to all members of the Surviving Corporation entitled to vote thereon. Said transaction, as so proposed, was authorized and approved by the members at said meeting by the affirmative vote of two-thirds (2/3) of all the votes entitled to be cast thereon.

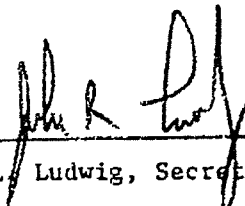
TENTH: These Articles of Merger shall become effective on July 1, 1998 (the "Effective Date").

ELEVENTH: Each undersigned President acknowledges these Articles of Merger to be the corporate act of the respective corporate party on whose behalf that President has signed, and further, as to all matters or facts required to be verified under oath, each such President acknowledges that to the best of that President's knowledge, information and belief, these matters and facts relating to the corporation on whose behalf that President has signed are true in all material respects and that this statement is made under the penalties for perjury.

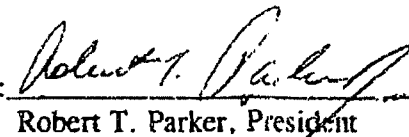
IN WITNESS WHEREOF, these Articles of Merger have been duly executed by the parties this 26th day of June, 1998.

ATTEST

ALTERNATIVE LIVING, INC.



John L. Ludwig, Secretary

By: 

Robert T. Parker, President

[SIGNATURES CONTINUED]

**ANNE ARUNDEL COUNTY ASSOCIATION
FOR RETARDED CITIZENS, INC.**

ARTICLES OF AMENDMENT AND RESTATEMENT

THIS IS TO CERTIFY THAT:

FIRST: The charter of Anne Arundel County Association for Retarded Citizens, Inc., a Maryland corporation (the "Corporation"), is hereby amended and restated.

SECOND: The following provisions are all of the provisions of the charter as amended and restated:

Article I. NAME

The name of this organization (which is hereinafter referred to as the "Corporation") shall be: The Arc of Anne Arundel County, Inc.

Article II. DESCRIPTION

The Corporation shall be a non-profit, non-sectarian, non-political organization, incorporated in the State of Maryland.

Article III. OBJECTIVES

- a. to promote the general welfare of persons with mental retardation or developmental disabilities (the term "developmental disabilities" may also include related disabilities);
- b. to assure that the services of the Corporation are effectively made available to all within the county without regard to the individual's sex, race, religion, severity of disability or ethnicity;
- c. to initiate the development of programs in their behalf and to coordinate and furnish guidance for such activities;
- d. to encourage research related to mental retardation;
- e. to render aid and counsel to persons with mental retardation or developmental disabilities, and to parents and guardians of persons with mental retardation or developmental disabilities;
- f. to develop a better public understanding of the problem of mental retardation and developmental disabilities;
- g. to associate with and support financially The Arc of Maryland and The Arc of the US;
- h. to serve locally as a clearing house for the public giving out information regarding mental retardation and developmental disabilities;

81808035

1-D. N18 00221344
ACKN. NO. 00303123376
THE ARC OF ANNE ARUNDEL COUNTY, INC.

06/23/98 AT 02:154 P.M.

25-71-17 Mr. PC

06/23/98

- i. to provide community supports (lease, rent, own and operate physical facilities) to persons with mental retardation or developmental disabilities and their families;
- j. to act as an advocate for all persons with mental retardation or developmental disabilities;
- k. to develop long-range programs for the benefit of all persons with mental retardation or developmental disabilities in Anne Arundel County, Maryland;
- l. to cooperate with all public, private and religious agencies and professional groups in the furtherance of these ends;
- m. to solicit, receive and disburse funds for the accomplishment of the above objective;
- n. to operate exclusively for charitable, religious, educational, or scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding section of any future federal tax code (the "Code").

Article IV. MEMBERSHIP

Membership shall be open to all parents, relations and guardians, including foster parents, of persons with mental retardation or developmental disability, and to other persons supportive of the objectives of the Corporation.

Article V. OFFICERS

The officers shall be a President, a Vice-President, a Secretary and a Treasurer.

Article VI. AREA OF ACTIVITY

The Corporation shall primarily serve the area lying within the boundaries of Anne Arundel County, Maryland.

Article VII. DISSOLUTION

In the event The Arc of Anne Arundel County, Inc. is dissolved as a corporation within the State of Maryland and ceases to exist for the stated objectives, such dissolution shall take place within the framework of laws governing such dissolutions. Following such dissolution, all the remaining property and assets of the Corporation shall revert to The Arc of Maryland, Inc. In the event that The Arc of Maryland, Inc. shall not then be in existence, then all property and assets shall revert to The Arc of the US. Under no circumstances shall any of the property and assets of the Corporation during the

existence and/or upon the dissolution thereof go and be distributed to any officer, member or subsidiary of the Corporation, or to any organization that does not qualify as a tax-exempt organization described in Section 501(c)(3) of the Code.

Article VIII. AMENDMENTS

A proposed amendment, along with the date it is to be voted upon, shall be presented in writing to the entire general membership at least three weeks prior to the meeting at which it is to be voted upon and a two-thirds (2/3) vote of those present shall be required for ratification, a quorum, as defined by the bylaws, having been established.

Article IX. PRINCIPAL OFFICE

The address of the principal office of the Corporation in this State is 49 Old Solomons Island Road, Suite 100, Annapolis, Maryland 21401.

Article X. RESIDENT AGENT

The resident agent of the Corporation is Kathleen L. Rollason, whose address is 49 Old Solomons Island Road, Suite 100, Annapolis, Maryland 21401. The resident agent is a citizen of and resides in the State of Maryland.

Article XI. NONSTOCK CORPORATION

The Corporation is not authorized to issue capital stock.

Article XII. NUMBER OF DIRECTORS

The Corporation shall have a board of eighteen (18) directors unless the number is changed pursuant to the bylaws of the Corporation. The number of directors may be increased or decreased in accordance with the bylaws of the Corporation but shall never be less than the minimum number required by the Maryland General Corporation Law. The current directors are:

| | |
|----------------------|-------------------------|
| Lorraine Sheehan | Robert Parker |
| Kimberly Knapp | David Rosenthal |
| Edward Worff | Sue Portis |
| George Price | Lori Gough |
| Teresa Steger | Barbara Bunker Vercelli |
| Barbara Allgood-Hill | Angie Dey |
| Lindsay Hamm | Jim Malone |
| Alele Baron | Patricia Worff |
| Marvin Anderson | John Ludwig |

Article XIII. LIMITATIONS

Notwithstanding any other provision of these Articles:

1) The Corporation shall not permit any part of its net earnings to inure to the benefit of its members, directors, trustees, officers or other private individuals or entities, except that the Corporation shall be authorized to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article THIRD hereof.

2) Except as provided and permitted under Sections 501(h) and 4911 of the Code, no substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

3) The Corporation shall have no power directly or indirectly to engage in any activity which would invalidate its status as a corporation exempt from federal income taxation under Section 501(c)(3) of the Code, or as a corporation the contributions to which are deductible under Sections 170(c)(2), 2055(a)(2), or 2522(a)(2) of the Code.

THIRD: The amendment to and restatement of the charter of the Corporation as set forth above has been duly advised by the board of directors and approved by the members of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article IX of the amended and restated charter above.

FIFTH: The name and address of the resident agent of the Corporation is as set forth in Article X of the amended and restated charter above.

SIXTH: The number of directors of the Corporation and the names of those currently in office are as set forth in Article XII of the amended and restated charter above.

SEVENTH: The undersigned President acknowledges these Articles of Amendment and Restatement to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of the President's knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles to be signed in its name and on its behalf by its President and attested to by its Secretary on this 9th day of June, 1998.

ATTEST:

ANNE ARUNDEL COUNTY ASSOCIATION
FOR RETARDED CITIZENS, INC.

Melvin Dey
Melvin Dey, Secretary

By: Lorraine Sheehan (SEAL)
Lorraine Sheehan, President

State of Maryland
DEPARTMENT OF
ASSESSMENTS AND TAXATION



Charter Division

PARR, N. GLENDENING
RONALD W. WINEHOLT
PAUL B. ANDERSON

DOCUMENT CODE 134 BUSINESS CODE _____ COUNTY 5
D6253344 P.A. _____ Religious _____ Close _____ Stock _____ Nonstock

Merging (Transferor) _____ Surviving (Transferee) _____

CODE AMOUNT FEE REMITTED

10 50 Expedited Fee
61 _____ Rec. Fee (Arts. of Inc.)
20 _____ Organ. & Capitalization
62 20 Rec. Fee (Amendment)
63 _____ Rec. Fee (Merger, Consol.)
64 _____ Rec. Fee (Transfer)
66 _____ Rec. Fee (Revival)
65 _____ Rec. Fee (Dissolution)
75 _____ Special Fee
73 _____ Certificate of Conveyance

(New Name) _____

21 _____ Recordation Tax
22 _____ State Transfer Tax
23 _____ Local Transfer Tax
70 _____ Change of P.O., R.A. or R.A.A.
31 _____ Corp. Good Standing

☒ Change of Name
☐ Change of Principal Office
☐ Change of Resident Agent
☐ Change of Resident Agent Address
☐ Resignation of Resident Agent
☐ Designation of Resident Agent and Resident Agent's Address
☐ Change of Business Code

Adoption of Assumed Name _____

600 Returns

52 _____ Foreign Qualification
NA _____ Foreign Registration
51 _____ Foreign Name Registration
53 _____ Foreign Resolution
54 _____ For. Supplemental Cert.
56 _____ Penalty
50 _____ Cert. of Qual. or Reg.
83 _____ Cert. Limited Partnership
84 _____ Amendment to Limited Partnership
85 _____ Termination of Limited Partnership
80 _____ For. Limited Partnership
91 _____ Amend/Cancellation, For. Limited Part.
87 _____ Limited Part. Good Standing

Other Change(s) _____

67 _____ Cert. Limited Liability Partnership
68 _____ LLP Amendment - Domestic
69 _____ Foreign Limited Liability Partnership
74 _____ LLP Amendment - Foreign
99 _____ Art. of Organization (LLC)
93 _____ LLC Amend, Diss. Continuation
97 _____ LLC Cancellation
96 _____ Registration Foreign LLC
94 _____ Foreign LLC Supplemental
92 _____ LLC Good Standing (short)
13 11 Certified Copy 3
Other _____

CODE D625

ATTENTION: _____

MAIL TO ADDRESS: _____

NOTE:

TOTAL FEES _____ Credit Card
_____ Check _____ Cash

Documents on _____ checks

APPROVED BY: _____

CERTIFIED
COPY MADE

ARTICLES OF AMENDMENT

OF

ANNE ARUNDEL COUNTY ASSOCIATION FOR RETARDED CHILDREN, INC.

Changing its name to

ANNE ARUNDEL COUNTY ASSOCIATION FOR RETARDED CITIZENS, INC.

approved and received for record by the State Department of Assessments and Taxation
of Maryland November 8, 1973 at 3:30 o'clock P. M. in conformity
with law and ordered recorded.

A 27395

Recorded in Liber 2016, folio 317, one of the Charter Records of the State
Department of Assessments and Taxation of Maryland.

Bonus tax paid \$ _____ Recording fee paid \$ 15.00

To the clerk of the Superior Court of Baltimore City

IT IS HEREBY CERTIFIED, that the within instrument, together with all indorsements thereon,
has been received, approved and recorded by the State Department of Assessments and Taxation of
Maryland.

AS WITNESS my hand and seal of the said Department at Baltimore.



ARTICLES OF AMENDMENT
OF
ANNE ARUNDEL COUNTY ASSOCIATION FOR
RETARDED CHILDREN, INC.

The Anne Arundel County Association for Retarded Children, Inc., a Maryland corporation, having its principal office in ~~Anne~~ Baltimore City ~~Anne Arundel County~~, State of Maryland, hereby certifies to the State Department of Assessments and Taxation that:

FIRST: That the amendments set forth herein have been approved by a majority of the entire board of directors and by a two-thirds majority of the entire membership, as required by the Articles of Incorporation and the by-laws, and also that there are no shares of stock entitled to vote in this corporation.

SECOND: The name of the corporation is changed from Anne Arundel County Association for Retarded Children, Inc. to Anne Arundel County Association for Retarded Citizens, Inc.

THIRD: The Articles of Incorporation are hereby amended by adding to Paragraph Third, subparagraph E on Page 2 of the original Articles of Incorporation the words "but not including any acts or things that are not permitted by Section 501 (c) (3) of the Internal Revenue Code."

FOURTH: The officers signing this instrument hereby acknowledge it to be the corporate act of the Corporation and hereby certify under the penalty of perjury that to the best of their knowledge, information and belief, all matters set forth in this instrument are true in all material respects.

IN WITNESS WHEREOF, the Anne Arundel County Association for Retarded Children, Inc. has caused these Articles of Amendment to be executed in its name and on its behalf by its President, with its Corporate Seal hereunto affixed and attested by its

Secretary this 23 day of October, 1973.

ATTEST:

ANNE ARUNDEL COUNTY ASSOCIATION
FOR RETARDED CHILDREN, INC.

Christine T. Curtin

By Benjamin R. Cadwalader
Benjamin R. Cadwalader, President

STATE OF MARYLAND, COUNTY OF ANNE ARUNDEL

I HEREBY CERTIFY that on this 23rd day of October 1973, before me, the subscriber, a Notary Public in and for the State and County aforesaid, duly qualified and commissioned, personally appeared Benjamin R. Cadwalader, President of the Anne Arundel County Association for Retarded Children, Inc., and he made oath in due form of law that the matters and facts set forth in the foregoing Articles with respect to approval are true to the best of his information, knowledge and belief.

AS WITNESS my hand and Notarial Seal.

Rosalee M. Russell

Notary Public

ARTICLES OF INCORPORATION

OF

ANNE ARUNDEL COUNTY ASSOCIATION FOR RETARDED CHILDREN, INC.

approved and received for record by the State Department of Assessments and Taxation

of Maryland March 14, 1961

at 2:07 o'clock p. M. as in conformity

with law and ordered recorded.

A 9148

Recorded in Liber *8283*, folio *422*, one of the Charter Records of the State.

Department of Assessments and Taxation of Maryland.

Bonus tax paid \$ 20.00 Recording fee paid \$ 10.00

To the clerk of the Superior Court of Baltimore City

IT IS HEREBY CERTIFIED, that the within instrument, together with all endorsements thereon, has been received, approved and recorded by the State Department of Assessments and Taxation of Maryland.

AS WITNESS my hand and seal of the said Department at Baltimore.

ARTICLES OF INCORPORATION
OF
ANNE ARUNDEL COUNTY ASSOCIATION FOR
RETARDED CHILDREN, INC.

THIS IS TO CERTIFY:

FIRST: That we, the subscribers, Bernard J. Sachs, whose Post Office address is 331 Equitable Building, Baltimore 2, Maryland; Elizabeth M. Lutz, whose Post Office address is 331 Equitable Building, Baltimore 2, Maryland, and John T. Enoch, whose Post Office address is 331 Equitable Building, Baltimore 2, Maryland, all being of full age, do, under and by virtue of the General Laws of the State of Maryland authorizing the formation of corporations, associate ourselves with the intention of forming a corporation.

SECOND: That the name of the corporation (which is herein after called "Corporation") is:

ANNE ARUNDEL COUNTY ASSOCIATION
FOR
RETARDED CHILDREN, INC.

THIRD: The purposes for which the Corporation is formed and the objects to be promoted by it are as follows:

- A. To promote the general welfare of mentally retarded persons wherever they may be;
- B. To foster the development of programs in their behalf.
- C. To advise and aid parents in the solution of their problems and to coordinate their efforts and activities.
- D. To develop a better understanding of the problems of mental retardation by the public.
- E. To cooperate with all public, private and religious agencies and with professional groups with the furtherance of these ends.
- F. To associate with the State and National Associations to promote the common cause.
- G. To serve locally as a clearing house for gathering and giving out information regarding the retarded.
- H. To solicit and receive funds for the accomplishment of the above purposes.

- I. To organize, own, operate and maintain day care centers and workshops, within the geographic limits of Anne Arundel County, for retarded children.

In furtherance of the above purposes, for which this Corporation is formed the Corporation shall have the following powers:

- A. To purchase or otherwise acquire either absolutely or in trust for any of its purposes, hold, mortgage, pledge, sell, transfer or in any manner encumber or dispose of any property, real or personal of every kind
- B. To collect dues from its members and receive donations, devises, bequests, legacies, gifts and other contributions without limitation as to amount or value except such limitations, if any, as the law shall hereafter specifically impose, and to employ the same to carry on the purposes for which the Corporation is formed.
- C. To invest or reinvest any principal or income in bonds, stocks, mortgages, real estate, or any interest or estate therein, securities and any other medium of investment without limitation, and to deal with and expend the income and principal of the corporation in such manner as in the absolute judgment of the executive committee will best promote its objects.
- D. To borrow or raise money for any of the purposes of the Corporation.
- E. To do and perform all lawful acts and things necessary and proper in the judgment of the executive committee to promote the objects of the Corporation.
- F. To amend the Charter with the consent of such a majority of the members as may be permitted by the By-Laws of the Corporation.

The foregoing enumeration of the purposes and objects of the Corporation is made in furtherance and not in limitation of the powers conferred upon corporations by law and is not intended by the mention of any particular purpose or object to limit or restrict the powers granted to the Corporation by the laws of the State of Maryland. The Corporation is formed upon the articles, conditions and provisions herein expressed and subject in all particulars to the limitations relative to non-profitable corporations.

are contained in the general laws of the state. All of the powers hereinbefore granted to the Corporation are to be exercised solely for the purposes hereinbefore specified and subject to the condition that no part of the net earnings of the Corporation shall at any time inure to the benefit of any member or individual.

FOURTH: The Post Office address of the Corporation in this state will be 331 Equitable Building, Baltimore 2, Maryland

FIFTH: The Resident Agent of the Corporation will be John W. Pfeifer, whose Post Office address is 331 Equitable Building, Baltimore 2, Maryland; said Resident Agent is a citizen of the State of Maryland and actually resides therein.

SIXTH: The Corporation shall have no capital stock.

SEVENTH: The Corporation shall have at least twelve members which shall constitute the Executive Committee. These shall consist of the officers, the immediate past president, and the standing committee chairmen. These members shall act until the first annual meeting or until their successors are duly chosen and qualified. The Executive Committee shall hold a meeting, adopt corporate By-Laws and do such further and additional acts as may be proper for the organization of the Corporation.

EIGHTH: The Corporation shall have three Board of Directors members, Bernard J. Sachs, Elizabeth M. Lutz, and John T. Enoch, who shall act until the first annual meeting or until their successors are duly chosen and qualified. The number of directors may be changed in such lawful manner as the By-Laws from time to time provide. The number of terms of office and qualifications of the directors may, also, be changed in such lawful manner as the By-Laws from time to time provide.

NINTH: The members of the Corporation shall be such members that are now comprised in the membership of the unincorporated association and such members as may be accepted to membership as.

provided for in the By-Laws of the Corporation. The By-Laws of the Corporation may, also, establish the number of members of the Executive Committee necessary to constitute a quorum. Vacancies caused by death, resignation or otherwise, of Executive Committee members, shall be filled by the remaining directors in such manner as shall be described from time to time in the By-Law of the Corporation. The person so elected shall thereupon become a member of the Executive Committee.

IN WITNESS WHEREOF we have signed this certificate of incorporation this 14th day of March, 1961.

Bernard J. Sachs
Bernard J. Sachs

Elizabeth M. Lutz
Elizabeth M. Lutz

John T. Enoch
John T. Enoch

STATE OF MARYLAND, CITY OF BALTIMORE, to wit:

I HEREBY CERTIFY this 14th day of March, 1961, before me, the subscriber, a Notary Public of the State of Maryland, in and for the City of Baltimore aforesaid, personally appeared BERNARD J. SACHS, ELIZABETH M. LUTZ and JOHN T. ENOCH, and severally acknowledged the foregoing Articles of Incorporation to be their act.

AS WITNESS my hand and notarial seal:

Henry Gale
Notary Public



ATTACHMENT 3:
BYLAWS

**AMENDED BYLAWS
THE ARC OF THE CENTRAL CHESAPEAKE REGION, INC.**

ARTICLE I. NAME

Section 1. Corporate Name

The Corporate name of this association shall be The Arc of the Central Chesapeake Region, Inc. (hereinafter referred to as "The Arc").

Section 2. Principal Office

The principal office of The Arc shall be at such place as the Board of Directors (also known herein as "Board") shall determine.

Section 3. Legal Status and Characterization

The Arc is organized exclusively for charitable, scientific and educational purposes as defined and limited by Section 501 (c) (3) of the Internal Revenue Code of 1986 as amended (or the corresponding provision of any future United States Internal Revenue Law). The Arc shall be non-political and shall take no position with regard to candidates for elective office nor provide financial support for any candidate or political party.

ARTICLE II. PURPOSES AND CORE VALUES

Section 1. Purposes

The Arc, in partnership with people with intellectual and developmental disabilities and the families of people with intellectual and developmental disabilities (hereinafter referred to as The Arc's constituency), members, its affiliated chapters and associated organizations shall work throughout the Anne Arundel County and Maryland's Eastern Shore to ensure that The Arc's constituency has the supports and services they need, are accepted in their communities, and have maximum control of their own lives.

The Arc exists for the following principal purposes:

- A. To advocate for the rights of The Arc's constituency.
- B. To improve their quality of life and the lives of their families.
- C. To achieve a large, active and diverse membership at all levels of The Arc.
- D. To achieve a public understanding of the strengths, contributions and needs of The Arc's constituency.
- E. To promote prevention of the causes and effects of intellectual and developmental disabilities and on effective practices in fields related to supports and services for The Arc's constituency.
- F. To promote and encourage best practices in the field of services and supports to The Arc's constituency.
- G. To solicit and receive funds for the accomplishment of the above purposes.
- H. To promote and support the professionals and others who serve The Arc's constituency and who promote and support the core values of The Arc.

Section 2. Core Values

Core values of The Arc are those values that are subscribed to and pursued by volunteer and staff leaders at all levels of The Arc. The Board shall from time to time develop and adopt core values to guide the work of The Arc.

Section 3. Non-Discrimination and Equal Opportunity

All activities of The Arc, including admission to programs and services, employment decisions, membership, appointments, nominations and elections of officers and directors, etc., shall be conducted without regard to race, gender, religion, age, national origin, sexual orientation, gender identity or disability or other legally protected characteristic.

ARTICLE III. MEMBERSHIP

Section 1. Obtaining

Membership may be obtained by submitting a completed application and annual dues to the office of The Arc.

Section 2. Categories

Membership may be an individual, family or corporate basis. A family membership shall entitle any two (2) family members to vote. Individual or corporate members shall be entitled to one (1) vote. Employees of The Arc are members, but they are not voting members.

Section 3. Member in Good Standing

A member in good standing is one whose dues are not delinquent.

Section 4. Eligibility

Members in good standing for at least thirty (30) days shall be eligible to vote (but only in person) on all questions or such other matters as may be put before the general membership for vote.

Staff of The Arc is not eligible to vote.

Section 5. Control

Control of The Arc shall rest with the Board. Any action of the Board shall be reported to the membership. An action of the Board may be altered or rescinded by a two-thirds ($\frac{2}{3}$) vote of the Board, provided a quorum has been established and no rights of third parties are affected or laws violated and three (3) weeks' notice has been given to the Board for actions being voted on.

Section 6. Lists

Membership lists shall not be published or made available outside The Arc except where, in the opinion of the Board, the furnishing of such lists in confidential status to a legitimate, responsible,

public or private agency will be in the best interest of the members and will serve constructively the purpose of The Arc.

Section 7. Representations

No member shall make representations to any public official or body or speak or act publicly in the name of The Arc without prior approval from the Chair, the President & CEO or the Board.

Section 8. Expulsion

Any member whose actions are prejudicial to the interests of The Arc of the Central Chesapeake Region, Inc., may be expelled as follows:

- A. A member may bring complaint against another member in writing submitted to the Chair.
- B. The complaint shall present evidence to substantiate the accusation.
- C. The Chair shall notify the accused and set a date for a hearing before the Board within thirty (30) days, at which time the accused shall be given an opportunity to be heard.
- D. Upon a three-fourths (3/4) vote of the Board, at a meeting at which a quorum is present, the accused may be expelled.

ARTICLE IV. DUES

Section 1. Yearly Dues

Members shall pay yearly dues, the amount to be determined by the Board of Directors. This amount shall include dues to The Arc of the United States.

Membership also includes membership in The Arc of Maryland and The Arc of the United States.

Section 2. Due Date

Dues are payable annually on the date application for membership was made and dues paid.

ARTICLE V. MEETINGS

Section 1. Schedule

Regular meetings of the membership shall be held annually unless cancelled for cause. The time and location of all meetings shall be provided to members as provided in the Bylaws.

Section 2. Annual Meeting

An Annual Meeting, usually held in May or June, shall be for:

- A. Election of those Officers and Directors whose terms will expire;
- B. Installation of newly elected Officers or Directors who will assume office at the beginning of the fiscal year;
- C. Information about the operations of The Arc.

Section 3. Special Meetings

Special meetings may be called by the Chair or on written application of five (5) members of the Board to the Secretary who shall notify all members of the Board by mail or email communication not less than one (1) week prior to the meeting, stating the purpose of the meeting. No other business may be transacted as a special meeting.

Section 4. Quorum

A quorum shall consist of the eligible voting Directors in good standing who are present.

ARTICLE VI. FISCAL YEAR

The fiscal year shall begin July 1 and end June 30.

ARTICLE VII. BOARD OF DIRECTORS

Section 1. Board Composition

The Board of Directors of The Arc of the Central Chesapeake Region, Inc. shall consist of the elected Officers, the immediate Past Chair, three (3) Directors elected by the Members, and up to nine (9) Directors appointed by the Board. Additional Directors may be added if required by any regulations of the State of Maryland.

Section 1a. Membership Requirement

Each Officer and Director must be a member in good standing of The Arc.. Directors appointed by the Board need not be members of The Arc at the time of their appointment but must become members prior to participating in their first Board meeting. A former employee of any chapter of The Arc may not serve as an Officer or Director of The Arc. for a period of one year from the date of termination of the employment.

Section 2. Responsibilities

See Board Member Roles & Responsibilities

Section 3. Remuneration

Officers or Directors shall not be remunerated for their services as Officers or Directors.

Section 4. Schedule

The Board of Directors shall meet a minimum of four times per year. When a decision by the Board is needed and it is not practical to call a meeting of the Board, the Chair may take a ballot of the Board members by telephone or by other electronic means. Replies must be received from three-fourths (3/4) of the Board members and three-fourths (3/4) of those replying must vote in the affirmative for the motion to carry.

Section 5. Special Meetings

Special meetings of the Board may be called by the Chair, or by the Secretary upon written request of three (3) Board members, at any time, on not less than twenty-four (24) hours' notice.

Section 6. Quorum

A majority of the voting members of the Board of Directors shall constitute a quorum.

Section 7. Conduct

The Board of Directors shall be responsible for the conduct of the business of The Arc and shall be empowered to employ personnel required to administer the affairs of The Arc and to prescribe their duties and terms of their employment. No employee of any chapter of The Arc may vote on any matters before the membership nor serve as an Officer or Director. The Board of Directors shall exercise all other powers inherent in The Arc except those expressly reserved to the membership. Minutes of Board of Directors meetings shall be available to members upon request.

ARTICLE VIII. COMMITTEES

Section 1. Standing Committees

There shall be four (4) standing committees consisting of:

- A. Executive
- B. Finance and Audit
- C. Quality
- D. Board Development Committee

The Board of Directors may, from time to time, establish other committees, as needed, to accomplish the mission and goals of The Arc.

The Chair may, from time to time, establish a task force(s) to accomplish time-specific objectives that the Board deems necessary.

Section 2. Structure

Each of the committees or task forces:

- A. Shall have a chairperson, who shall be a member of the Board.
 - 1. The Finance and Audit Committee shall be chaired by the Treasurer.
 - 2. The Board Development Committee shall be chaired by the Vice Chair of the BoardChair.
 - 3. Other committee or task force chairpersons shall be appointed by the Chair.
- B. Shall prepare minutes of their meetings and distribute the minutes to all members of the Board in addition to the members of that committee or task force.
- C. May have additional members who are not members of the Board.
- D. Shall operate within policies and budget set by the Board.

Section 3. Executive Committee

- A. The Executive Committee shall be composed of the Officers and the Immediate Past Chair of The Arc.
- B. The Executive Committee shall exercise all powers of the Board of Directors between meetings of the Board. All proceedings of the Executive Committee shall be reported to the Board at its next regular meeting and shall be subject to revision or alteration by the Board of Directors by a two-thirds (2/3) vote, providing no irrevocable rights of third parties shall be affected by such revision or alterations.
- C. The Executive Committee shall meet as needed between meetings of the Board and at such other times as the Committee may find necessary to properly transact the business of The Arc. A meeting of the Executive Committee may be called by the Chair or by any three (3) members of the Committee. Members shall be notified at least one (1) week in advance.
- D. At least sixty percent (60%) of the membership of the Executive Committee shall be present to constitute a quorum.
- E. At the discretion of the Executive Committee, other Committee chairs may be invited to participate in Executive Committee meetings.

Section 4. Finance and Audit Committee

The Finance and Audit Committee shall:

- A. Be responsible for the oversight of the financial condition of The Arc.
- B. Be responsible for the conduct of the annual independent audit.
- C. Review the adequacy of insurance coverage.
- D. Be responsible for the oversight of human resources.

Section 5. Quality Committee

- A. The Quality Committee shall be composed of not less than a majority of volunteers (i.e., non-Board, non-Arc staff, non-DDA funded agency personnel) in accordance with state regulations and nationally recognized accrediting organization guidelines.
- B. The committee shall be responsible for ensuring that all programs and services provided by The Arc are of the highest standards of quality.
- C. The committee shall be familiar with all mandated regulations.
- D. The committee shall ensure adherence to all local, state and federal regulations relative to human rights, health and safety of persons receiving services and supports from The Arc.
- E. The committee shall develop methods for data gathering and shall provide regular reports to the Board, indicating trends, as well as human rights, health, and safety concerns.

Section 6. Board Development Committee

- A. The Board Development Committee shall consist of members in good standing of The Arc, to be selected in the following manner:
 - 1. The Immediate Vice Chair shall be chairperson of the committee;
 - 2. Remaining committee members may be chosen from among current members of the Board.

- B. The Committee shall function to identify and cultivate willing committee members to ensure ongoing development of future Board leaders.
- C. The Committee shall seek persons who reflect the diversity, skills, and talents of the population of the areas served by The Arc. In particular, the Committee shall encourage the active participation of people with intellectual and developmental disabilities and their families.
- D. The Committee shall work with the President & CEO to provide new Directors a comprehensive Arc orientation.
- E. The Committee will manage:
 - 1. Annual Board evaluations
 - 2. Board conflict of interest

ARTICLE IX. TERMS OF OFFICE

Section 1. Officers

- A. The elected Officers shall consist of a Chair, a Vice Chair, a Secretary and a Treasurer. At the annual election, each shall be elected by the membership to serve a term of two years, beginning July 1 following their election. Each Officer shall be, at the time of their election, a member in good standing of The Arc.
- B. No persons shall be elected to the same office for more than two consecutive terms.

Section 2. Directors

- A. Up to five (5) Directors shall be elected by the membership and must be a member at time of election, to serve a term of three years beginning July 1 following their selection. Up to nine (9) Directors shall be appointed by the board and must be a member by the first board meeting.

Section 3. Term Limits

- A. If challenged, no Officer or Director may serve for more than 12 consecutive years on the Board.
- B. The two-term limitation applies to Directors, not Officers. Directors may accede to an Officer position without regard to Director term limits.
- C. After serving the maximum time allowed, a person may serve again after being off The Board for one year.

Section 4. Vacancies

Except for the office of Chair, vacancies on the Board, created by resignation or death, shall have their unexpired term of office filled by persons elected by the Board.

Section 5. Declare Vacant

The Board may declare vacant the office of any Director or Officer who shall be absent without cause from any combination of three (3) consecutive meetings of the Board and any committee or task force to which they are assigned.

Section 6. Removing a Board Member

The Board may remove any Officer or Director for cause by two-thirds (2/3) vote of all Directors then in office, at any regular or special meeting of the Board, provided that a statement of the reason or reasons shall have been mailed by Registered Mail to the Officer or Director proposed for removal at least thirty (30) days before any final action is taken by the Board. This statement shall be accompanied by a notice of the time when, and the place where, the Board is to take action on the removal. The Officer or Director shall be given an opportunity to be heard and the matter considered by the Board at the time and place mentioned in the notice.

ARTICLE X. DUTIES OF OFFICERS

Section 1. Chair

The Chair shall:

- A. Preside at all meetings of The Arc and of the Board;
- B. Be ex-official member of all committees and be responsible for the proper function of each;
- C. Appoint committees or task forces, as required;
- D. Act as the executive Officer of the Board of The Arc and, in general, perform duties usually associated with the office of Chair, including acting as the official spokesperson for the Board;
- E. Present an annual report at the Annual Meeting and be responsible to have copies sent to The Arc of Maryland and The Arc of the United States and all other appropriate regulatory bodies;
- F. Be familiar with, and ensure adherence to, statutes governing non-profit organizations in The Arc's day-to-day affairs.

Section 2. Vice Chair

The Vice Chair shall:

- A. Succeed to the presidency in case of a vacancy in that office;
- B. Perform duties of the Chair in his/her absence;
- C. Chair the Board Development Committee
- D. Undertake such other responsibilities, as the Chair shall assign.

Section 3. Secretary

The Secretary shall:

- A. Assure that signed, accurate proceeding of all meetings of the membership and the Board is maintained;
- B. Assure that The Arc Maryland receives two copies of the bylaws, when amended;

- C. Assure that members are timely notified of the location and purpose of all meetings.

Section 4. Treasurer

The Treasurer shall:

- A. Chair the Finance and Audit Committee, and oversee all duties of the Committee;
- B. Assure that a complete and accurate accounting is maintained of all funds received and disbursed;
- C. Assure that deposits of all funds in the name of The Arc are made in financial institutions approved by the Board;
- D. Present an audited financial report for the preceding fiscal year to the membership at a general membership meeting and all other appropriate regulatory bodies;
- E. Provide financial statement at Board and membership meetings;
- F. Lead the Finance and Audit Committee through processes to develop investment and other financial policies and present to Board for approval.

Section 5. Finances

The monies of The Arc shall be deposited and withdrawn in such bank, banks, trust company and trust companies as the Board may designate, and shall be withdrawn only by check signed by the President & CEO, the Chair, or such other officer as authorized by the Board. The Chair and the Secretary of The Arc are authorized to execute for and on behalf of The Arc any form of certified corporate banking and borrowing resolutions, copies of which shall be inserted into The Arc's Minute Book, and to perform such other acts and deeds as may be necessary and proper to implement the foregoing direction.

ARTICLE XI. PRESIDENT & CEO

Section 1. Duties and Salary

The Board shall establish the duties, fix the salary and review the performance of the Chief Executive Officer (President & CEO) annually. They shall serve at the pleasure of the Board.

All contracts, leases, grant applications, grant agreements or other instruments executed in the name of and on the behalf of The Arc shall be signed by the President & CEO or his/her designee. A Resolution of the Board of Directors authorizing such signing of legal documents shall be inserted into The Arc's Minute Book.

Section 2. Performance

The President & CEO shall:

- A. Be a Member of the Board and shall sit on all committees of the Board;
- B. Serve as the administrative head of The Arc;
- C. Serve under the direction of the Board;
- D. Be responsible for carrying out the policies of The Arc and in consultation with the Officers, Directors and Committee members;

- E. Develop programs based upon long and short-term goals.

ARTICLE XII. ELECTIONS

Section 1. Slate of Candidates

The Board Development Committee shall:

- A. Prepare a slate of candidates to fill openings in Officer positions;
- B. Prepare a slate of candidates to fill openings in elected Director positions;
- C. Secure the consent of nominees to serve if elected;
- D. Assure that all nominees are members in good standing of The Arc;
- E. Report its nominations to the Board at the meeting prior to the Annual Meeting.

Section 2. Nominations

Nominations shall be permitted from the floor at the Board meeting prior to the Annual Meeting. All nominees shall be members in good standing who have given consent to their nomination. All members of The Arc shall be notified of the names of nominees for Officer and Director positions not less than ten (10) days prior to the Annual Meeting.

Section 3. Voting

The Chair of the Board Development Committee (or the Secretary in their absence) shall present the slate of candidates to the membership at the Annual Meeting and conduct the vote. Voting may be by voice vote, except that voting shall be by written ballot for any position for which there is more than one candidate.

When a written ballot is required, the Chair of the meeting shall appoint three (3) tellers to collect, count, and report the vote.

ARTICLE XIII. INDEMNIFICATION

The Arc shall indemnify any Director or any Officer or former Director or Officer of The Arc or any persons who are serving at the request of The Arc, including the President & CEO, against reasonable expenses, judgments, decrees, fines, penalties or amounts paid in settlement actually or necessarily incurred by them in connection with the defense of any pending or threatened action, suit, or proceeding, criminal or civil to which they are or may be made a party by reason of having served The Arc in any capacity, provided it is determined in the manner hereinafter set forth:

- A. That such person was not, and has not been adjudicated to have been, grossly negligent or guilty of misconduct in the performance of their duty to The Arc at which time they are or were a Director, Officer, or agent.
- B. That they acted in good faith in what they reasonably believed to be the best interest of The Arc.
- C. That, in any manner the subject of a criminal action, suit, or proceeding they had no reasonable cause to believe their conduct was unlawful, and
- D. In case of settlement, that the amount paid in the settlement is reasonable.

Such determination shall be made either:

- A. By the Board of Directors of The Arc, acting as a meeting at which a quorum consisting of Directors who are not parties to or threatened with such action, suit or proceedings are present, or
- B. By independent legal counsel selected by the Board of Directors of The Arc in a written opinion.

ARTICLE XIV. CONFLICT OF INTEREST

Section 1. Required Disclosure

The Board of Directors shall adopt a conflict of interest policy, which shall require an Officer or Director to disclose any actual or potential conflict between their personal interests and their duty to The Arc. Any Officer or Director deemed by the Board, pursuant to its conflict of interest policy, to be disqualified because of an actual or apparent conflict of interest on any matter shall not vote or use their personal influence on the matter and shall not be counted in determining the abstention from voting and the effect on the quorum.

Section 2. Compensation for Services

No Officer or Director of The Arc shall be paid compensation for any services rendered to The Arc in the capacity of Officer or Director. Officers and Directors may be reimbursed for actual expenses incurred in their service as Officers and Directors.

ARTICLE XV. RELATIONSHIP WITH THE ARC OF MARYLAND AND THE ARC OF THE UNITED STATES

The Arc agrees to maintain membership in The Arc of Maryland and The Arc of the United States, to support them in every way, and to adhere to their policies. The Arc further agrees to send The Arc of Maryland and The Arc of the United States a copy of its annual report and its audited annual financial report, including a list of all income and disbursements, on the prescribed date, and to support financially their activities, as appropriate and feasible.

ARTICLE XVI. PARLIAMENTARY AUTHORITY

Sturgis' Standard Code of Parliamentary Procedure, in the latest edition, shall govern all deliberations of The Arc when it is not in conflict with these bylaws or any laws applicable to The Arc. The Chair of The Arc shall have the power to appoint a parliamentarian and shall interpret these bylaws when a question arises as to the meaning of any part of it. The Chair's decision shall be final, unless overruled by two-thirds (2/3) of votes cast at a meeting or by the Board of Directors at its next meeting following the date of the decision.

ARTICLE XVII. DIVERSITY

In electing members to the Board, the Directors shall seek to maintain a composition that reflects the population of Anne Arundel County and Maryland's Eastern Shore. In particular, The Arc shall encourage the active participation of people with intellectual and developmental disabilities and their families as members of the Board and committees.

ARTICLE XVIII. AMENDMENTS TO THE BYLAWS

An Officer, Board Member, or a member in good standing may propose amendments in writing to the Board of Directors. At its next regular meeting, or at a special meeting called for the purpose, the Board of Directors shall review the proposed amendment(s) and, by resolution, shall recommend its adoption, rejection, or alteration, with reason, therefore. A copy of this resolution, with the proposed amendment, shall be presented in writing to the Board of Directors at least three weeks prior to the meeting at which it is to be voted upon and a two-thirds (2/3) vote shall be required for ratification, provided a quorum has been established.

ARTICLE XIX. DISSOLUTION

In the event The Arc of the Central Chesapeake Region, Inc. is dissolved as a corporation within the State of Maryland, and ceases to exist for the stated purposes, such certification of the dissolution shall be filed with the Secretary of the State, according to the Statutes of the State for the dissolution of nonprofit corporations, and such assets as remain shall revert to an escrow account for a period of three years to allow time for reorganization, and if reorganization is not accomplished in that length of time, then shall revert to a federal income tax exempt agency, organization, or institution for serving persons with intellectual and developmental disabilities as directed by the last elected Board of Directors of The Arc.

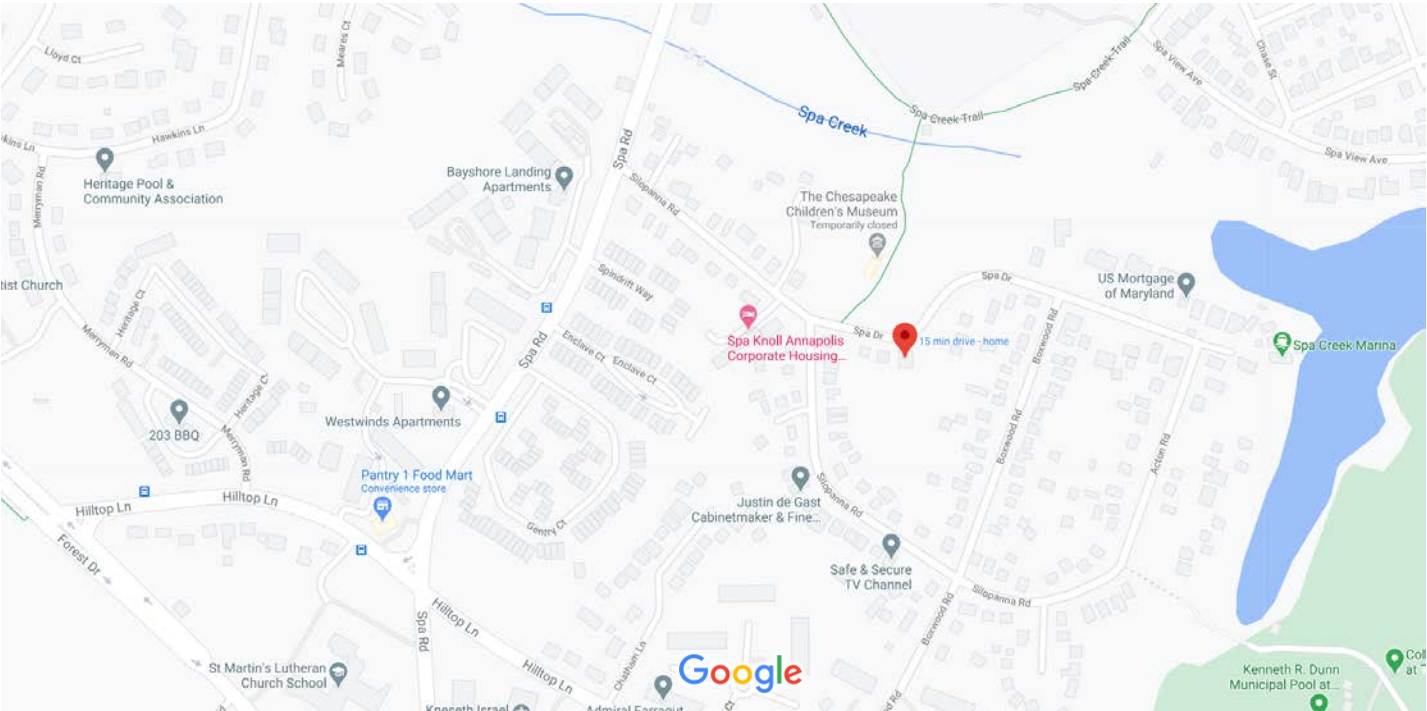
These are the current Bylaws approved and adopted by the membership on

February 23, 1978
November 1, 1983 — Amended
November 2, 1993 — Amended
November 5, 1996 — Amended
April 21, 1998 — Amended
January 30, 2001 — Amended
January 16, 2002 — Amended
January 18, 2005 — Amended
June 28, 2006 — Amended
June 25, 2007 — Amended
March 24, 2009 - Amended
June 28, 2010 – Amended
June 19, 2018 – Amended
May 29, 2020 - Amended

ATTACHMENT 4:
PROJECT MAP

Google Maps

76 Spa Dr



Map data ©2020 200 ft



76 Spa Dr

Annapolis, MD 21403

- Directions
- Save
- Nearby
- Send to your phone
- Share

XF9V+H2 Annapolis, Maryland

Photos



ATTACHMENT 5:
CERTIFICATE OF GOOD STANDING

STATE OF MARYLAND

Department of Assessments and Taxation

I, MICHAEL L. HIGGS OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF THE STATE OF MARYLAND, DO HEREBY CERTIFY THAT THE DEPARTMENT, BY LAWS OF THE STATE, IS THE CUSTODIAN OF THE RECORDS OF THIS STATE RELATING TO THE FORFEITURE OR SUSPENSION OF CORPORATIONS, OR THE RIGHTS OF CORPORATIONS TO TRANSACT BUSINESS IN THIS STATE, AND THAT I AM THE PROPER OFFICER TO EXECUTE THIS CERTIFICATE.

I FURTHER CERTIFY THAT THE ARC OF THE CENTRAL CHESAPEAKE REGION, INC. (D00253344), INCORPORATED MARCH 14, 1961, IS A CORPORATION DULY INCORPORATED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF MARYLAND AND THE CORPORATION HAS FILED ALL ANNUAL REPORTS REQUIRED, HAS NO OUTSTANDING LATE FILING PENALTIES ON THOSE REPORTS, AND HAS A RESIDENT AGENT. THEREFORE, THE CORPORATION IS AT THE TIME OF THIS CERTIFICATE IN GOOD STANDING WITH THIS DEPARTMENT AND DULY AUTHORIZED TO EXERCISE ALL THE POWERS RECITED IN ITS CHARTER OR CERTIFICATE OF INCORPORATION, AND TO TRANSACT BUSINESS IN MARYLAND.

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY SIGNATURE AND AFFIXED THE SEAL OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND AT BALTIMORE ON THIS NOVEMBER 23, 2020.



Michael L. Higgs
Director



301 West Preston Street, Baltimore, Maryland 21201
Telephone Baltimore Metro (410) 767-1340 / Outside Baltimore Metro (888) 246-5941
MRS (Maryland Relay Service) (800) 735-2258 TT/Voice

Online Certificate Authentication Code: CsRWmORjREartsH1sdDb5w
To verify the Authentication Code, visit <http://dat.maryland.gov/verify>

ATTACHMENT 6:
BOARD OF DIRECTORS

The Arc Central Chesapeake Region
Board of Directors
FY'21 (July 1, 2020 - June 30, 2021)

| Title/Term | Affiliation | Name/Address | Phone | Email Address |
|------------------------------|--|-------------------------|--|-------------------------------|
| Chair 7/1/20-6/30/22 | Retired- Anne Arundel County Public Schools | Laura Austin | Tel: (410)263-3786 Cell: (410)533-6432 | laurafaustin@yahoo.com |
| Vice-Chair 7/1/20-6/30/22 | PNC Bank | Michele Tharp | Tel: (410)255-8726 Cell: (410)926-6054 | michele.tharp@pnc.com |
| Treasurer 7/1/20-6/30/22 | Retired - Computer Systems Group | Rich Donoho | Tel: (443) 852-0006 | jrdonoho@yahoo.com |
| Secretary 7/1/20-6/30/22 | M & T Bank | Jason Weisberg | Tel: (410)608-4016 | jweisberg@mtb.com |
| Past Chair 7/1/20-6/30/22 | Iliff, Meredith, Wildberger & Brennan, PC | Steve Brennan | Tel: (410)269-1476 Work: (410)685-1166 Cell: (410)353-3284 | steve@ilimer.com |
| Director 7/1/18-6/30/21 | Self-Employed Financial Planner | Glenn Fleureton | Tel: (410)271-2646 | gfleureton@financialguide.com |
| Director 7/1/18-6/30/21 | Hollis, Cronan & Fronk, P.A. | William Hollis | Tel: (410)822-8822 | wch@hcflaw.com |
| Director 7/1/19-6/30/22 | Self-Advocate | Josh Miller | Tel: (410)268-2052 | |
| Director 7/1/19-6/30/22 | National Coalition of Minority Football Coaches | Raj Kudchadkar | Tel: (410)814-8101 | rkudchadkar@mcie.org |
| Director 7/1/19-6/30/22 | Clinical Colleagues, Inc. | Martha Brown | Tel: (443)622-9328 | rankinmj@comcast.net |
| Director 7/1/19-6/30/22 | BB&T | Paul Merkle | Tel: (301) 221-8463 | pmerkle@bbandt.com |
| Director 7/1/20-6/30/23 | Retired - Corporate Banking | Lois Williams | Tel: (410)349-8127 Cell: (301)717-1189 | lg.wms@verizon.net |
| Director 7/1/20-6/30/23 | Bellamy Gen Group | Greg Snyder | Tel: (443) | greg@bellamygenngroup.com |
| Ex Officio | The Arc Central Chesapeake Region | Jonathon Rondeau | Tel: (410)384-4035 Cell: (410)591-3600 | jrondeau@thearcccr.org |
| Contact | The Arc Central Chesapeake Region | Angie DeMoreland | Tel: (410)384-4022 Cell: (410)627-4985 | adomoreland@thearcccr.org |

ATTACHMENT 7:
NAMED ATTORNEY



Wright, Constable & Skeen, L.L.P. | Attorneys at Law

7 Saint Paul Street, 18th Floor · Baltimore, Maryland 21202 · Phone: 410-659-1300 · Toll Free: 1-888-894-7602 · Fax: 410-659-1350

LAURA L. RUBENSTEIN, ESQ.*

Writer's Direct Dial / Email:
(410) 659-1347 / LRubenstein@wcsllaw.com

August 2, 2017

VIA EMAIL ONLY (jrondeau@thearcctr.org)

Mr. Jonathon Rondeau, CEO
The Arc Central Chesapeake Region
931 Spa Road
Annapolis, Maryland 21401

Re: Proposal for Legal Services

Dear Jonathon:

Please accept this letter as Wright, Constable & Skeen, L.L.P.'s (the "Firm" or "WCS") proposal for legal services to represent The Arc Central Chesapeake Region. WCS is a full service firm with its primary office located in Baltimore, Maryland. Our 34 attorneys practice in labor/employment law, government contracting, health care, litigation, insurance defense, creditor's rights, corporate and business, family law, estate planning, and intellectual property, to name a few areas.

WCS shares a philosophy of providing zealous, high quality representation at a fair rate to clients. WCS has experienced lawyers, associates and paralegals who work efficiently and effectively. We take pride in our relationships with our clients and have kept, and intend to keep them for a long time.

The below enumerated provisions are intended to outline the terms of The Arc's engagement of our firm, so there is a clear understanding of the basis upon which WCS will represent The Arc.

1. Staffing. Laura Rubenstein will have primary responsibility for determining the appropriate WCS staff to perform The Arc's legal assignments. Our primary objective is always to ensure you the best legal representation you deserve delivered in an efficient and cost-effective basis. We believe in staffing all assignments with experienced, practical practitioners who put your interests first to create a long-lasting relationship where you do not have to worry about bottom-lines every time you call our office. The WCS lawyers and staff will undertake using our best judgment and skill in representing The Arc. You understand, however, that we cannot make and have not made any guarantee regarding the outcome of any matter.

2. **Fees.** We will bill for professional services based upon the schedule of hourly rates established by the Firm for the lawyers and other members of the professional staff of the Firm. The hourly rates are based on years of experience, training, area of practice and level of professional attainment. We periodically review our hourly rates and make adjustments as necessary. Due to the fact that The Arc is a non-profit, WCS will cap the rates of each of its partner level attorneys at \$300 per hour, associates at \$225 per hour and paralegal help at \$115 per hour.

3. **Costs.** In addition to our fees for services, The Arc will be responsible for all out-of-pocket disbursements that we incur on its behalf. Typical of such costs are filing fees, deposition costs, expert fees, travel expenses and courier services. We anticipate making advances to cover out-of-pocket costs incurred but reserve the right to forward to you any larger items with the request that you pay them directly to the service providers. This will be discussed in advance of any costs incurred.

4. **Billings.** Our statements for services rendered and costs incurred will be prepared during the month following the month in which services are rendered and costs advanced. We will make every effort to include our out-of-pocket disbursements in the next monthly statement. However, some disbursements are not immediately available to us and, as a result, may not appear on a statement until sometime after the charges were actually incurred. All statements are due and payable upon receipt and considered past due thirty (30) days after the statement date. The Firm reserves the right to decline to perform further services if any account is sixty (60) days or more past due. Subject, of course, to our ethical and professional obligations, you agree that the Firm may terminate its legal services and withdraw from this engagement in such event.

5. **Client's Responsibilities.** Recognizing that the Firm cannot effectively represent clients without their cooperation and assistance, we expect that The Arc will continue to cooperate fully with the Firm and to provide promptly all information known or available relevant to the Firm's representation, including providing information and documents requested in a timely fashion; cooperating in scheduling and related matters; and responding to telephone calls and correspondence in a timely manner.

6. **Termination of Engagement and Post-Engagement Matters.** Either The Arc or WCS may terminate the engagement at any time for any reason by written notice, subject on our part to applicable rules of professional conduct. In the event that we terminate the engagement, we will take such steps as are reasonably practicable to protect your interests and, if you so request, we will suggest to you possible successor counsel and provide successor counsel of your choosing with whatever papers you have provided to us. Unless previously terminated, our representation of you will terminate upon our sending our final statement for services rendered.

August 2, 2017

Page 3

If you are in agreement with the foregoing terms regarding the Firm's representation of The Arc, please sign this letter in the space provided and return it to me at your earliest convenience.

Very truly yours,



Laura L. Rubenstein

ACKNOWLEDGMENT AND AGREEMENT

I REPRESENT THAT I AM AUTHORIZED TO ENTER INTO THIS AGREEMENT ON BEHALF OF THE ARC CENTRAL CHESAPEAKE REGION AND THE TERMS OF THE ENGAGEMENT OF WRIGHT, CONSTABLE & SKEEN, LLP, AS STATED ABOVE ARE ACCEPTED AND APPROVED.



Jonathon Rondeau
Chief Executive Officer

ATTACHMENT 8:
FY20 FINANCIAL STATEMENTS

**THE ARC OF THE CENTRAL
CHESAPEAKE REGION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

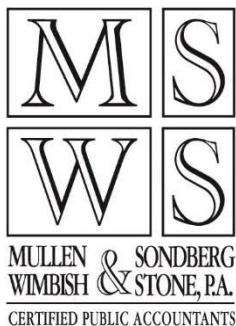


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Arc of the Central Chesapeake Region, Inc.
Severn, Maryland

We have audited the accompanying consolidated financial statements of The Arc of the Central Chesapeake Region, Inc. (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

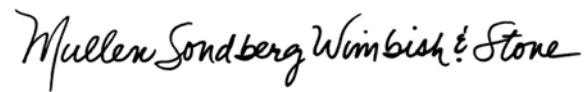
To the Board of Directors of
The Arc of the Central Chesapeake Region, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of the Central Chesapeake Region, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Arc of the Central Chesapeake Region, Inc.'s 2019 consolidated financial statements, and we express an unmodified audit opinion on those audited consolidated financial statements in our report dated December 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Mullen Sondberg Wimbish & Stone". The signature is written in a cursive, flowing style.

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
November 3, 2020

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020

| | ASSETS | |
|---|-----------------------------|-----------------------------|
| | 2020 | 2019 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 4,137,867 | \$ 6,549,320 |
| Investments | 1,904,214 | 2,164,782 |
| Due from State of Maryland | 2,073,995 | 1,218,507 |
| Accounts receivable, other | 201,817 | 710,527 |
| Accounts receivable, clients, net of allowance for doubtful accounts | 50,329 | 277,885 |
| Unconditional promises to give | 38,100 | 15,075 |
| Prepaid expenses | 126,052 | 139,780 |
| Total current assets | <u>8,532,374</u> | <u>11,075,876</u> |
| PROPERTY AND EQUIPMENT | | |
| Net of accumulated depreciation | <u>18,284,107</u> | <u>18,017,632</u> |
| OTHER ASSETS | | |
| Unconditional promises to give, net of discount | 448,518 | - |
| Security deposits and escrows | <u>276,106</u> | <u>286,227</u> |
| Total other assets | <u>724,624</u> | <u>286,227</u> |
| Total assets | <u><u>\$ 27,541,105</u></u> | <u><u>\$ 29,379,735</u></u> |

The accompanying notes are an integral part of these consolidated financial statements.

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont.)
June 30, 2020

LIABILITIES AND NET ASSETS

| | 2020 | 2019 |
|---|-----------------------------|-----------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable, trade | \$ 1,345,295 | \$ 1,402,904 |
| Due to State of Maryland | 2,188,236 | 8,128,898 |
| Accrued vacation | 294,386 | 244,627 |
| Accrued salaries and related taxes | 2,739,432 | 1,794,504 |
| Rep Payee Funds | 189,175 | 323,609 |
| Deferred revenue | 21,000 | - |
| Capital lease obligations | 243,576 | 213,995 |
| Mortgages and notes payable | 291,825 | 259,370 |
| Total current liabilities | <u>7,312,925</u> | <u>12,367,907</u> |
| LONG-TERM LIABILITIES | | |
| Capital lease obligations | 469,262 | 388,061 |
| Mortgages and notes payable, net of debt issuance cost | 11,171,615 | 9,891,215 |
| Participation liability | 64,844 | 56,500 |
| Total long-term liabilities | <u>11,705,721</u> | <u>10,335,776</u> |
| Total liabilities | <u>19,018,646</u> | <u>22,703,683</u> |
| NET ASSETS | | |
| Without donor restrictions | 7,965,360 | 6,660,977 |
| With donor restrictions | 557,099 | 15,075 |
| Total net assets | <u>8,522,459</u> | <u>6,676,052</u> |
| Total liabilities and net assets | <u><u>\$ 27,541,105</u></u> | <u><u>\$ 29,379,735</u></u> |

The accompanying notes are an integral part of these consolidated financial statements.

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

With Summarized Financial Information for the Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|-------------------------------|----------------------------|---------------|---------------|
| | | | 2020 | 2019 |
| REVENUES, GAINS AND OTHER SUPPORT | | | | |
| Self Direction Waiver revenue | \$ 48,763,680 | \$ - | \$ 48,763,680 | \$ 38,151,418 |
| Less: Self Direction Waiver expenses | (44,236,611) | - | (44,236,611) | (35,021,378) |
| Net Self Direction Waiver | 4,527,069 | - | 4,527,069 | 3,130,040 |
| Program service fees | 14,778,904 | - | 14,778,904 | 13,606,092 |
| Paycheck Protection Program grant | 2,469,300 | - | 2,469,300 | - |
| Donated goods, services and rent | 33,025 | 471,543 | 504,568 | 12,994 |
| Client fees | 385,756 | - | 385,756 | 404,823 |
| Other grants | 337,162 | - | 337,162 | 218,489 |
| Rental subsidy | 282,631 | - | 282,631 | 166,028 |
| Investment income, net | 196,703 | - | 196,703 | 251,167 |
| Contributions | 93,151 | 70,481 | 163,632 | 2,220,101 |
| Special events | 50,067 | - | 50,067 | 62,868 |
| Miscellaneous income | 8,578 | - | 8,578 | - |
| Loss on disposal of equipment | (8,314) | - | (8,314) | - |
| | 23,154,032 | 542,024 | 23,696,056 | 20,072,602 |
| Net assets released from restrictions | - | - | - | - |
| Total revenues, gains and other support | 23,154,032 | 542,024 | 23,696,056 | 20,072,602 |
| EXPENSES | | | | |
| Program services | | | | |
| Community Living | 9,722,220 | - | 9,722,220 | 9,342,308 |
| FMS | 3,135,678 | - | 3,135,678 | 2,416,587 |
| Community Supports | 2,565,777 | - | 2,565,777 | 2,234,246 |
| Day Services & Workforce Development | 1,709,734 | - | 1,709,734 | 1,674,814 |
| Individual & Family Support Services | 1,090,288 | - | 1,090,288 | 1,021,452 |
| Total program services | 18,223,697 | - | 18,223,697 | 16,689,407 |
| Supporting services | | | | |
| Management and general | 3,455,221 | - | 3,455,221 | 3,250,312 |
| Fundraising | 170,731 | - | 170,731 | 65,986 |
| Total supporting services | 3,625,952 | - | 3,625,952 | 3,316,298 |
| Total expenses | 21,849,649 | - | 21,849,649 | 20,005,705 |
| Change in net assets | 1,304,383 | 542,024 | 1,846,407 | 66,897 |
| NET ASSETS AT BEGINNING OF YEAR | 6,660,977 | 15,075 | 6,676,052 | 6,609,155 |
| NET ASSETS AT END OF YEAR | \$ 7,965,360 | \$ 557,099 | \$ 8,522,459 | \$ 6,676,052 |

The accompanying notes are an integral part of these consolidated financial statements.

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
With Summarized Financial Information for the Year Ended June 30, 2019

| | Program Services | | | | | Supporting Services | | | Total | |
|--|---------------------|---------------------|-----------------------|--|--|---------------------------|---------------------------|-------------------|----------------------|----------------------|
| | Community Living | FMS | Community Supports | Day Services & Workforce Development | Individual & Family Support Services | Total Program Services | Management and General | Fundraising | 2020 | 2019 |
| Salaries | \$ 5,976,124 | \$ 1,176,956 | \$ 1,485,558 | \$ 994,103 | \$ 372,502 | \$ 10,005,243 | \$ 1,659,646 | \$ 43,871 | \$ 11,708,760 | \$ 10,833,195 |
| Fringe benefits | 874,684 | 408,924 | 222,637 | 182,910 | 70,474 | 1,759,629 | 213,937 | 10,447 | 1,984,013 | 1,494,783 |
| Payroll taxes | 437,939 | 85,712 | 104,904 | 78,190 | 29,090 | 735,835 | 109,158 | 3,637 | 848,630 | 892,931 |
| Total salaries and related expenses | 7,288,747 | 1,671,592 | 1,813,099 | 1,255,203 | 472,066 | 12,500,707 | 1,982,741 | 57,955 | 14,541,403 | 13,220,909 |
| Contract services | 284,333 | 949,093 | 57,774 | 30,517 | 16,936 | 1,338,653 | 353,117 | 69,361 | 1,761,131 | 1,856,106 |
| Depreciation | 519,435 | 131,452 | 149,096 | 97,002 | 213,934 | 1,110,919 | 62,020 | - | 1,172,939 | 893,082 |
| Program expenses | 433,364 | 100 | 215,014 | 12,039 | 150,231 | 810,748 | 18,918 | - | 829,666 | 704,906 |
| Interest | 271,568 | 67,721 | 68,227 | 47,940 | 52,478 | 507,934 | 34,880 | - | 542,814 | 405,567 |
| Repairs and maintenance | 86,667 | 22,927 | 21,569 | 15,177 | 6,670 | 153,010 | 317,671 | - | 470,681 | 525,057 |
| Dues and subscriptions | 112,835 | 67,453 | 28,035 | 19,699 | 7,425 | 235,447 | 67,793 | 32,993 | 336,233 | 162,677 |
| Insurance | 135,849 | 29,951 | 30,175 | 34,412 | 45,648 | 276,035 | 41,245 | 386 | 317,666 | 375,759 |
| Food and housekeeping | 231,831 | 947 | 39,703 | 3,569 | 97 | 276,147 | 23,301 | 29 | 299,477 | 298,418 |
| Advertising | 116,027 | 28,861 | 28,905 | 21,071 | 7,656 | 202,520 | 61,172 | 5,812 | 269,504 | 34,302 |
| Travel and lodging | 31,435 | 10,884 | 35,375 | 134,249 | 2,505 | 214,448 | 51,870 | 672 | 266,990 | 232,893 |
| Supplies | 16,186 | 72,739 | 92 | 4,875 | 4,698 | 98,590 | 142,579 | 1,210 | 242,379 | 227,886 |
| Utilities | 89,311 | 22,631 | 17,946 | 12,610 | 4,753 | 147,251 | 52,073 | - | 199,324 | 193,810 |
| Miscellaneous | 38,981 | 40,915 | 19,871 | 14,266 | 6,042 | 120,075 | 66,325 | 272 | 186,672 | 191,048 |
| Rent | - | - | 33,758 | - | 94,062 | 127,820 | 19,776 | - | 147,596 | 191,296 |
| Telephone | 36,156 | 12,543 | 7,138 | 6,272 | 1,297 | 63,406 | 12,368 | 476 | 76,250 | 66,410 |
| Small equipment and furniture | 27,480 | 122 | - | - | - | 27,602 | 32,616 | - | 60,218 | 31,413 |
| Legal and accounting | - | 3,507 | - | - | - | 3,507 | 53,939 | - | 57,446 | 183,782 |
| Staff development | - | 1,209 | - | 354 | - | 1,563 | 44,088 | 1,565 | 47,216 | 147,749 |
| Conventions | - | 110 | - | 479 | - | 589 | 8,686 | - | 9,275 | 18,314 |
| Taxes and assessments | - | 921 | - | - | - | 921 | 5,184 | - | 6,105 | 10,871 |
| Condo fees | 1,968 | - | - | - | 3,790 | 5,758 | 35 | - | 5,793 | 5,675 |
| Reimbursements | 47 | - | - | - | - | 47 | 2,824 | - | 2,871 | 1,916 |
| Donated services | - | - | - | - | - | - | - | - | - | 25,859 |
| Total expenses | <u>\$ 9,722,220</u> | <u>\$ 3,135,678</u> | <u>\$ 2,565,777</u> | <u>\$ 1,709,734</u> | <u>\$ 1,090,288</u> | <u>\$ 18,223,697</u> | <u>\$ 3,455,221</u> | <u>\$ 170,731</u> | <u>\$ 21,849,649</u> | <u>\$ 20,005,705</u> |

The accompanying notes are an integral part of these consolidated financial statements.

The Arc of the Central Chesapeake Region, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

| | <u>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 1,846,407 | \$ 66,897 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 1,172,939 | 893,082 |
| Amortization of debt issuance costs | 11,294 | 4,285 |
| Amortization of loan discount | 1,958 | 13,260 |
| Unrealized gain on investments | (319) | (30,033) |
| Loss on disposal of equipment | 8,314 | - |
| (Increase) decrease in operating assets: | | |
| Accounts receivable and Due from State of Maryland | (119,222) | (1,370,872) |
| Unconditional promises to give | (471,543) | 16,584 |
| Prepaid expenses | 13,728 | (64,954) |
| Security deposits and escrows | 10,121 | (38,075) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable, trade and due to State of Maryland | (5,998,271) | (959,423) |
| Accrued salaries, vacation, and related taxes | 994,687 | 329,790 |
| Rep Payee Funds | (134,434) | 182,224 |
| Deferred revenue | <u>21,000</u> | <u>-</u> |
| Net cash used by operating activities | <u>(2,643,341)</u> | <u>(957,235)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments and reinvested earnings | (949,290) | (27,995) |
| Proceeds from sale of investments | 1,210,177 | 25,158 |
| Purchase of property and equipment | (649,218) | (2,185,042) |
| Proceeds from sale of property and equipment | <u>427,087</u> | <u>34,320</u> |
| Net cash provided (used) by investing activities | <u>38,756</u> | <u>(2,153,559)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on capital lease | (251,455) | (184,303) |
| Proceeds from mortgages and notes payable | 967,840 | - |
| Principal payments on mortgages and notes payable | <u>(523,253)</u> | <u>(893,300)</u> |
| Net cash provided (used) by financing activities | <u>193,132</u> | <u>(1,077,603)</u> |
| Net change in cash and cash equivalents | (2,411,453) | (4,188,397) |
| Cash and cash equivalents at beginning of year | <u>6,549,320</u> | <u>10,737,717</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 4,137,867</u></u> | <u><u>\$ 6,549,320</u></u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | <u><u>\$ 531,520</u></u> | <u><u>\$ 401,282</u></u> |
| Noncash investing and financing activities: | | |
| Acquisition of property and equipment | \$ 1,915,693 | \$ 5,406,701 |
| Less amount financed | <u>(1,266,475)</u> | <u>(3,221,659)</u> |
| Cash paid for property and equipment | <u><u>\$ 649,218</u></u> | <u><u>\$ 2,185,042</u></u> |

The accompanying notes are an integral part of these consolidated financial statements.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Nature and Association

The Arc of the Central Chesapeake Region, Inc. (the Association) is a non-profit association formed in 1961 whose purpose is to promote respect, create opportunity, facilitate services and advocate for the rights of all people with intellectual and developmental disabilities. The Association identifies critical needs and gaps in services and initiates programs to fill these needs. It stimulates other agencies to develop needed services and programs, and provides information and community education regarding developmental disabilities. On July 1, 1998 The Arc of the Central Chesapeake Region, Inc., a Maryland non-stock corporation, merged with Alternative Living, Inc. The Arc of the Central Chesapeake Region, Inc. is the surviving corporation. The Association serves Anne Arundel County and Maryland's Eastern Shore.

Consolidation of Related Entity

The Arc of the Central Chesapeake Region, Inc. has adopted the provisions of the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, Consolidations*. The Arc of the Central Chesapeake Region, Inc. has included its related entity, Chesapeake Neighbors, LLC, in its financial statements for the years ended June 30, 2020 and 2019. *FASB ASC 958-810* states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the Board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

Chesapeake Neighbors, LLC was formed in 2008 and obtained tax-exempt status during fiscal year 2010 to provide housing to people of low income and those with developmental disabilities. Chesapeake Neighbors, LLC is a wholly owned, limited liability company subsidiary and qualifies as a related entity of The Arc of the Central Chesapeake Region, Inc. under *FASB ASC 958-810* and, accordingly, the accompanying financial statements present the financial information of both entities.

The Association is also required to comply with *FASB ASC 850 Related Party Disclosures*. Under this standard, all material intercompany transactions have been eliminated in the consolidating process and substantive disclosure of these amounts is not required.

Basis of Accounting

The Association prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 1 - Summary of Significant Accounting Policies (Cont.)

Basis of Presentation

The consolidated financial statements of the Association have been prepared in accordance with U.S. Generally Accepted Accounting Principles, which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Revenue Recognition – Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents represent deposits in checking and savings accounts and certificates of deposit with maturities of ninety days or less, except those that are part of an investment portfolio.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 1 - Summary of Significant Accounting Policies (Cont.)

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position.

Accounts Receivable

Accounts receivable consist of amounts due from the State of Maryland, amounts due from clients for rent and medical supplies, and amounts due from customers for goods and services mainly provided by program activities. The allowance for doubtful accounts is determined by management based on their periodic review of individual account balances. Accounts receivable balances are charged against the reserve in the period management determines them to be uncollectible. As of June 30, 2020 and 2019, the balance in the allowance for doubtful accounts was \$3,118.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 1 - Summary of Significant Accounting Policies (Cont.)

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all not-for-profit organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on square footage for items such as occupancy and depreciation and estimates of time and effort for administrative salaries.

Income Tax Status

The Arc of the Central Chesapeake Region, Inc. and its wholly owned one member subsidiary, Chesapeake Neighbors, LLC are exempt under Section 501(c)(3) of the Internal Revenue Code and are classified as other than a private foundation. The Associations are exempt from both federal and state income taxes but would be subject to taxes on any "unrelated business income". There is no provision for income taxes at June 30, 2020 and 2019 as the Associations have not incurred any unrelated business income during these periods.

Income Tax Position

The Association follows the guidance of ASC 740-10, "*Accounting for Uncertainty in Income Taxes*" which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Association's consolidated financial statements

The Association analyzes tax positions taken, including those related to the requirements set forth in IRS Sec. 501(c) to qualify as a tax-exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Association does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Association's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2017 remain subject to examination by federal and state authorities.

Advertising

The Association's policy is to expense advertising costs when incurred. Total advertising costs incurred for employee recruitment for the years ended June 30, 2020 and 2019 were \$269,504 and \$34,302, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 1 - Summary of Significant Accounting Policies (Cont.)

Donated Services, Materials and Rent

Donated services are recognized as a contribution if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by period with those skills, and would otherwise be purchased by the Association. There were no donated services that qualified for recognition during the years ended June 30, 2020 and 2019.

Donated materials and rent are included in the accompanying consolidated statements at their estimated fair market values at the date of receipt. Donated rent for the years ended June 30, 2020 and 2019 were \$504,568 and \$12,994, respectively.

Reclassifications

Certain reclassifications of prior year balances have been made to conform to current year presentation.

New Accounting Pronouncements

On July 1, 2019, the Association adopted *ASU 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made."* This standard provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contributions versus an exchange. *ASU 2018-08* has been applied retrospectively to all periods presented. The adoption of *ASU 2018-08* did not have any impact on the Association's financial position, result of operations or cash flows.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 2 - Availability & Liquidity

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------------|---------------------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 4,137,867 | \$ 6,549,320 |
| Investments | 1,904,214 | 2,164,782 |
| Due from State of Maryland | 2,073,995 | 1,218,507 |
| Accounts receivable, other | 201,817 | 710,527 |
| Accounts receivable, clients, net | 50,329 | 277,885 |
| Unconditional promises to give | <u>486,618</u> | <u>15,075</u> |
| Total financial assets | <u>8,854,840</u> | <u>10,936,096</u> |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | 557,099 | 15,075 |
| Rep Payee Funds | <u>189,175</u> | <u>323,609</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u><u>\$ 8,108,566</u></u> | <u><u>\$ 10,597,412</u></u> |

The Association's goal is to establish at least 3 months of average recurring operating costs in available liquidity (approximately \$5 million at June 30, 2020). Monthly average recurring operating costs are calculated by dividing total operating expenses for the year by 12 months. In addition to calculating the actual operating reserve at year end, the target minimum reserve will be calculated each year after approval of the annual budget.

The Association invests excess cash in an investment account to be used for operations. The Association follows an investment policy to manage its risk allocations within the investment account.

The Association has two lines of credit totaling \$3.6 million, which are available to draw upon in the event of an unanticipated liquidity need. The Association may also choose to use the available equity in real estate after all other options have been exhausted.

Note 3 - Concentration of Cash Balances

At June 30, 2020 and 2019, and at various times during the year, the Association maintained cash-in-bank balances in excess of the federally insured limit of \$250,000 per financial institution. Amounts in excess of insured limits at June 30, 2020 and 2019 were \$2,900,00 and \$1,500,000, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 4 - Investments

Investments are stated at fair market value. A summary of the investments are as follows for years ending June 30:

| | 2020 | | |
|---------------------------------|---------------------|---------------------|------------------------|
| | Cost Basis | Fair Market Value | Unrealized Gain/(Loss) |
| Investments - brokerage account | | | |
| Money market funds | \$ 1,346,055 | \$ 1,346,055 | \$ - |
| Certificates of deposit | 465,542 | 465,542 | - |
| Equities | 27,047 | 92,617 | 65,570 |
| Total investments | <u>\$ 1,838,644</u> | <u>\$ 1,904,214</u> | <u>\$ 65,570</u> |

| | 2019 | | |
|---------------------------------|---------------------|---------------------|------------------------|
| | Cost Basis | Fair Market Value | Unrealized Gain/(Loss) |
| Investments - brokerage account | | | |
| Money market funds | \$ 1,343,111 | \$ 1,343,111 | \$ - |
| Certificates of deposit | 729,373 | 729,373 | - |
| Equities | 27,047 | 92,298 | 65,251 |
| Total investments | <u>\$ 2,099,531</u> | <u>\$ 2,164,782</u> | <u>\$ 65,251</u> |

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 5 - Fair Value Measurement

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under *ASC 820-10* are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Association. The Association considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, includes cash and money market funds held in brokerage accounts, equity securities, and certificates of deposit held in a brokerage account.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 5 - Fair Value Measurement (Cont.)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of:

| <u>June 30, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------|---------------------|----------------|----------------|---------------------|
| Money market funds | \$ 1,346,055 | \$ - | \$ - | \$ 1,346,055 |
| Certificates of deposit | 465,542 | - | - | 465,542 |
| Equity securities | 92,617 | - | - | 92,617 |
| Total | <u>\$ 1,904,214</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,904,214</u> |

| <u>June 30, 2019</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------|---------------------|----------------|----------------|---------------------|
| Money market funds | \$ 1,343,111 | \$ - | \$ - | \$ 1,343,111 |
| Certificates of deposit | 729,373 | - | - | 729,373 |
| Equity securities | 92,298 | - | - | 92,298 |
| Total | <u>\$ 2,164,782</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,164,782</u> |

Note 6 - Unconditional Promises to Give

The Association has a lease agreement with the State of Maryland Department of Health for a residential home. The lease commenced on December 25, 2007 and has a term of five years with annual rent of \$1. This lease was renewed in March 2017 for three years with a discount rate of .95%. On November 20, 2019, the lease was renewed for an additional three years, with two renewal terms of three years each with annual rent of \$1 and a discount rate of 1.59%.

The Association also has a lease with the Anne Arundel County for their regional office building. This lease was renewed beginning March 1, 2020 with a 20 year term at annual rent of \$1 and a discount rate of 1.53%.

These leases provide the Association with the free use of facilities and are recognized as unconditional promises to give. Unconditional promises to give are reflected at present value of estimated future cash flows, based on the date of the original promise to give.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 6 - Unconditional Promises to Give (Cont.)

Unconditional promises to give are as follows for years ending June 30:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------|
| Receivable in less than one year | \$ 38,100 | \$ 15,075 |
| Receivable in one to five years | 152,400 | - |
| Receivable in more than five years | <u>355,550</u> | <u>-</u> |
| Total unconditional promises to give | 546,050 | 15,075 |
| Less discount to net present value | (59,432) | - |
| Less current portion | <u>(38,100)</u> | <u>(15,075)</u> |
| Unconditional promises to give, long-term | <u><u>\$ 448,518</u></u> | <u><u>\$ -</u></u> |

Note 7 - Property and Equipment

A summary of property and equipment by major classification is as follows at June 30:

| | Estimated Useful Lives | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------------|-----------------------------|-----------------------------|
| Land | - | \$ 4,433,886 | \$ 4,036,506 |
| Building and improvements | 5-31 years | 16,613,799 | 16,128,808 |
| Leasehold improvements | 1-10 years | 725,549 | 631,757 |
| Furniture, fixtures and equipment | 5-20 years | 1,472,898 | 1,528,281 |
| Vehicles | 2-5 years | <u>1,692,280</u> | <u>1,558,277</u> |
| | | 24,938,412 | 23,883,629 |
| Less accumulated depreciation | | <u>(6,654,305)</u> | <u>(5,865,997)</u> |
| | | <u><u>\$ 18,284,107</u></u> | <u><u>\$ 18,017,632</u></u> |

Depreciation was \$1,172,939 and \$893,082 for the years ended June 30, 2020 and 2019, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 8 - Mortgages and Notes Payable

The Maryland Department of Housing and Community Development (DHCD) has provided financing under the Maryland Group Home Acquisition Program (GHAP) enabling the Association to purchase residences, which it utilizes as group homes or alternative living units for its clients. All GHAP mortgages contain provisions which specify that if a GHAP mortgage is prepaid, defaulted on, refinanced, or if the property is sold, the State of Maryland is entitled to receive 50% of the net appreciation on the property securing that particular GHAP mortgage. At June 30, 2020 and 2019, the Association has recorded a participation liability of \$64,844 and \$56,500, respectively and a related mortgage loan discount of \$37,573 and \$28,693, respectively, in connection with these agreements.

DHCD has also provided financing with proceeds of tax-exempt revenue bonds for residences under the Special Housing Opportunities Program (SHOP). SHOP loans may be prepaid or assumed with prior permission from DHCD. SHOP loans are required to be used to fund a group home and residents who occupy the homes must meet the certain income restrictions, if the residents no longer meet the income restrictions, then DHCD may increase the agreed upon interest rate. Any increase in the interest rate may not exceed the prevailing conventional interest rate determined in the sole discretion of DHCD. Loans are subject to a prepayment penalty equal to the unamortized cost of issuing the bonds.

The Association entered into a thirty year loan with Arundel Community Development Services, Inc. (ACDS). The loan was used to purchase a residential home. If during the term of the loan, the property is sold, transferred, exchanged or otherwise disposed, the ACDS is entitled to receive 50% of the net proceeds in accordance with the Equity Participation Agreement. The associated participation liability is included above.

During fiscal year 2014, two properties were purchased from The Arc of the Central Chesapeake Region, Inc. by its related entity Chesapeake Neighbors, LLC. The related loans with banks were paid off by The Arc of the Central Chesapeake Region, Inc. and Chesapeake Neighbors, LLC obtained a SHOP and GHAP loan for each property. Additional details on these loans are on the following page.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 8 - Mortgages and Notes Payable (Cont.)

Mortgages and notes payable consisted of the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|---------------------|
| <u>The Arc of the Central Chesapeake Region, Inc.</u> | | |
| Mortgages and notes payable to the Maryland Department of Housing and Community Development. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$4,089 include principal and interest ranging between 2.00% - 5.00%. The mortgages are for 30 years and mature between May 2021 and July 2047. The mortgages are secured by residential properties. | \$ 325,664 | \$ 357,581 |
| Mortgages and notes payable to various financial institutions. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$15,803 include principal and interest ranging between 0.00% - 5.00%. The mortgages are for 30 years and mature between November 2021 and August 2049. The mortgages are secured by residential properties. | 2,892,318 | 1,796,600 |
| <u>Chesapeake Neighbors, LLC</u> | | |
| Mortgages and notes payable for all Chesapeake Neighbors, LLC properties. The loans were obtained to acquire residential properties. Aggregate monthly payments of \$45,528 include principal and interest ranging between 0.00% - 6.96%. The mortgages are for 30 years and mature between March 2038 and February 2050. The mortgages are secured by residential properties. | <u>8,373,995</u> | <u>8,086,477</u> |
| Total mortgages and notes payable | 11,591,977 | 10,240,658 |
| Less debt issuance cost, net of amortization | (90,964) | (61,380) |
| Less discount | (37,573) | (28,693) |
| Less current maturities | <u>(291,825)</u> | <u>(259,370)</u> |
| Long-term portion of mortgages and notes payables | <u>\$ 11,171,615</u> | <u>\$ 9,891,215</u> |

Mortgage and notes payable at June 30, 2020 and 2019 is shown net of unamortized debt issuance cost of \$90,964 and \$61,380, respectively. Amortization expense on debt issuance costs was \$11,294 and \$4,285, for years ended June 30, 2020 and 2019, respectively, and is included in interest expense.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 8 - Mortgages and Notes Payable (Cont.)

Scheduled maturities of the above mortgages and notes payable are as follows:

Year Ending June 30

| | |
|------------|-----------------------------|
| 2021 | \$ 291,825 |
| 2022 | 293,932 |
| 2023 | 291,435 |
| 2024 | 296,793 |
| 2025 | 309,258 |
| Thereafter | <u>10,108,734</u> |
| | <u><u>\$ 11,591,977</u></u> |

Interest expense for the years ended June 30, 2020 and 2019 was \$542,814 and \$405,567, respectively.

Note 9 - Line of Credit

In May 2018, the Association obtained a line of credit with a bank, secured by the Association's accounts receivables, with a maximum borrowing potential of \$2,000,000. The line bears interest at the bank's prime lending rate. In September 2019, the Association obtained a line of credit with a bank with a maximum borrowing potential of \$1,600,000. The line bears interest at the bank's prime lending rate. There were no amounts outstanding as of June 30, 2020 and 2019 on the Association's lines of credit.

Note 10 - Compensated Absences

Employees of the Association are entitled to paid vacation depending on their length of service and job classification. As of June 30, 2020 and 2019, there were \$294,386 and \$244,627, respectively, of vacation benefits due to employees.

Note 11 - Capital Lease Obligations

The Association entered into capital lease agreements for three copiers and 54 vehicles. The term of the copier and vehicle lease agreements are for 60 months. At June 30, 2020 and 2019 the aggregate monthly payments for the copiers were \$2,014. At June 30, 2020 and 2019 the aggregate monthly payments for the vehicles were \$24,375 and \$25,036, respectively. Depreciation attributable to capital leases for the years ended June 30, 2020 and 2019 amounted to \$179,930 and \$153,197, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 11 - Capital Lease Obligations (Cont.)

Future minimum lease payments are as follows:

| | <u>Year Ending June 30</u> |
|--|----------------------------|
| | 2021 |
| | \$ 300,531 |
| | 2022 |
| | 247,134 |
| | 2023 |
| | 159,278 |
| | 2024 |
| | 99,291 |
| | 2025 |
| | <u>46,466</u> |
| | 852,700 |
| Less amounts representing interest | <u>(139,862)</u> |
| Present value of future minimum lease payments (including current portion of \$243,576) | <u><u>\$ 712,838</u></u> |

Note 12 - Operating Leases

The Association leases residential homes that are utilized as alternative living units and group homes for its clients. Some of the homes are leased on a month-to-month basis, and some homes have leases with annual rent of \$1. The leases mature in fiscal years 2028 and 2039.

The following is a schedule of future minimum lease payments due on operating leases:

| | <u>Year Ending June 30</u> |
|------------------------------|----------------------------|
| | 2021 |
| | \$ 2 |
| | 2022 |
| | 2 |
| | 2023 |
| | 2 |
| | 2024 |
| | 2 |
| | 2025 |
| | 2 |
| Thereafter | <u>17</u> |
| Future minimum lease payment | <u><u>\$ 27</u></u> |

Rent expense for the years ended June 30, 2020 and 2019 was \$147,596 and \$191,296, respectively.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 13 - Retirement Plan

The Association maintains a tax deferred 403(b) retirement plan. Employees are eligible to participate in the plan starting on the day they are hired. In July 2018 the Association increased the maximum employer contribution from 1% to 4% of an eligible employee's compensation. The Association contributed \$249,061 and \$220,420 for the years ended June 30, 2020 and 2019, respectively.

Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes for years ending June 30:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------------------|-------------------------|
| Donated long-term leases (Note 6) | \$ 486,618 | \$ 15,075 |
| Capital campaign | <u>70,481</u> | <u>-</u> |
| | <u><u>\$ 557,099</u></u> | <u><u>\$ 15,075</u></u> |

Note 15 - Contingent Liabilities

The Association was awarded multiple capital project grants from the State of Maryland totaling \$975,000, which were recognized in fiscal year 2019 and used to build the administrative building on Donald Avenue. As long as the Association owns the property, it may not sell, lease, exchange, give away, or otherwise transfer or dispose of any interest in the real or personal property acquired with grant funds unless the Board of Public Works gives prior written consent. The Association may be required to repay the State the percentage of the proceeds allocable to the grant that was used to acquire the property as determined by the Board of Public Works in its sole discretion. The terms of the grant agreement are set to expire with the maturity of the State's general obligation bonds that were issued to provide funding for these grants in 2034.

The Association received grants from Anne Arundel County for leasehold improvements to seven properties in the form of loans with Anne Arundel Community Development Services, Inc. The grant agreements total \$332,422 and specify that the Association must repay the grants without interest or penalty if the properties are sold, transferred or conveyed prior to their maturity which ranges from March 9, 2030 to November 1, 2031. Upon maturity of the loans, the Association is released from their principal obligation.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 15 - Contingent Liabilities (Cont.)

Additionally, during 1991 and 1993, the Association received grants totaling \$19,355 for improvements at a Linthicum Home. These grant agreements specify that the Association must repay a portion of the grants without interest or penalty if the Linthicum Home is sold or transferred within thirty years of the grant.

The Association receives a substantial portion of its revenue from government fees and grants, which are subject to audits by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of the Association is of the opinion that no significant liability will result from audit adjustments, if any.

Note 16 - Significant Funding Source/Contingency

The Association receives a majority of its total revenue from the State of Maryland. The Association is highly dependent upon government funding to continue its operations.

In March 2020, the Association experienced disruption of its daily operations due to the global COVID-19 (coronavirus) pandemic. While the Association expects this matter could potentially negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time. In response to COVID-19, the State of Maryland provided assistance to help reduce the impact on its service providers. The State of Maryland received additional funding through Centers for Medicare & Medicaid Services (CMS) through Appendix K.

Note 17 - Paycheck Protection Program Grant

In April 2020, the Association received \$2,469,300 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Association must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period.

The Association has accounted for the PPP funding as a conditional grant in the financial statements. As of June 30, 2020, management believes the Association has met the substantial conditions required for the forgiveness of the loan. As such, the Association has recorded other grant revenue totaling \$2,469,300 for the year ending June 30, 2020. The Association's PPP funding is subject to a formal forgiveness application as well as a required audit by the SBA. Until forgiveness has been legally achieved and required audits have been completed, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of the Association is of the opinion that no significant liability will result from audit adjustments, if any.

The Arc of the Central Chesapeake Region, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
June 30, 2020

Note 18 - Subsequent Events

The Association has evaluated the impact of significant subsequent events. There have been no subsequent events through November 3, 2020, the date the financial statements were available to be issued, that required recognition or disclosure.

ATTACHMENT 9:
EVIDENCE OF SITE CONTROL

From: [Ahmed Awad -MDH-](#)
To: [Angie DeMoreland](#)
Subject: Re: FW: 76-78 Spa Drive Lease
Date: Monday, November 23, 2020 4:36:38 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)

CAUTION: This email originated from outside of The Arc Central Chesapeake Region. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Afternoon Angie

Please contact :

Damon Conway

Leasing Agent

Department of General Services

Office of Real Estate

300 W. Preston Street #601

Baltimore, Maryland 21201

damon.conway@maryland.gov

410-767-4309 (office)

The MDH signed contract was sent to him on July 17, 2020 to process through the Board of Public Works.

Ahmed



MDH is committed
to customer
service. [Click
here](#) to take the
Customer
Satisfaction Survey.

Ahmed G. Awad
Program Manager,
Office of Facilities Management and Development
Maryland Department of Health (MDH)
201 West Preston Street, Rm. 538E
Baltimore, Maryland 21201
(410) 767-6589 Office
(410) 627-0422 Cell
(410) 333-5608 Fax

On Mon, Nov 23, 2020 at 4:23 PM Angie DeMoreland <ademoreland@thearcccr.org> wrote:

Good afternoon,

I'm looking for a fully executed copy of the lease. Do you have an electronic version you can send to me?

Thank you,

Angie

**STATE OF MARYLAND
DEPARTMENT OF HEALTH
REVENUE LEASE AGREEMENT
(FORM DGS-680-3G - MDH)
(Revised 7/2019)**

THIS LEASE AGREEMENT ("Lease"), fully executed by the parties this 20 day of February, 2020 ("Effective Date"), is between the STATE OF MARYLAND, acting through the Maryland Department of Health, (hereinafter called the "Lessor"), and **The Arc of the Central Chesapeake Region, Inc.**, a Maryland corporation (hereinafter called the "Lessee").

WITNESSETH that the Lessor demises and leases unto Lessee, in its "as is" condition, the following described premises (hereinafter the "Demised Premises"), **4,080 square feet** of space, known and described as **76 – 78 Spa Drive, Annapolis, Maryland 21403** pursuant and subject to the following terms and conditions, which are specifically incorporated herein:

1. State of Maryland, Department of Health Standard Revenue Lease General Terms and Conditions, attached hereto as **Addendum A**.

2. State of Maryland Standard Revenue Lease Affidavit, attached hereto as **Addendum B**.

3. The following Exhibits:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Exhibit A | Corporate Resolution |
| <input checked="" type="checkbox"/> Exhibit B | Lessor Rules and Policies for Leased Premises |
| <input checked="" type="checkbox"/> Exhibit C | Additional Description of Property/Map |

4. Lessor and Lessee:

| LESSOR | | LESSEE |
|---|--|--|
| State of Maryland - Department of Health | | Name: The Arc of the Central Chesapeake Region, Inc. |
| Address: 201 West Preston Street, Room 536 Baltimore, Maryland 21201 | | Address: 1332 Donald Avenue Severn, MD 21144 |
| E-mail: | atif.chaudhry@maryland.gov | E-mail: irondeau@thearcCCR.org |
| | | Federal Tax # 52-6047882 |
| On Site Contact: | N/A | Jonathan Rondeau Chief Executive Officer |
| Phone: | 410-767-6821 (Office) | Phone: 410-269-1883 |
| E-mail: | atif.chaudhry@maryland.gov | E-mail: irondeau@thearcCCR.org |
| Emergency Contact: | Atif Chaudhry | Jessica Sauers Director of Operations |
| Emergency Phone: | 410-767-6821 (Office) | Emergency Phone: 410-693-8883 |
| E-mail: | atif.chaudhry@maryland.gov | E-mail: jsauers@thearcCCR.org |
| Notice Address: Atif Chaudhry, Director Office of Facilities Management & Development Department of Health 201 West Preston Street, Room 536 Baltimore, Maryland 21201 With Copy to: Department of General Services, Office of Real Estate, 300 W Preston St. Rm. 601, Baltimore, Maryland, 21201 | | Notice Address: Jonathan Rondeau, Chief Executive Officer The Arc of the Central Chesapeake Region, Inc. 1332 Donald Avenue Severn, MD 21144 |

5. Term of the Lease and Commencement Date, subject to Board of Public Works approval and full execution of this Lease by the parties:

| | |
|-------------------------|------------------|
| Term: | 3 years |
| Commencement Date: | January 15, 2020 |
| Number of Renewal Terms | 2 renewal terms |
| Length of Each Renewal | 3 years |

Notes: Each renewal term shall be subject to the same terms and conditions as this Lease except as may be renegotiated and approved by the BPW.

6. Rent: The Lessee covenants to pay the Rent as herein provided.

| | | | |
|---------|------------|---------|----------|
| Years | Rent Rate: | Monthly | Annually |
| 3 years | \$1.00 | | X |
| | | | |

7. Utility Cost Payment:

- ☐ Not applicable.
- ☒ Applicable, see below:

CHOOSE ONE

☐ REIMBURSEMENT TO LANDLORD

During each month of the Term of this Lease, or any renewal thereof, Lessee shall reimburse Lessor for 100% of all Utility Costs, as defined in Section 5 of Addendum A, paid by Lessor for the Demised Premises if the Demised Premises is serviced under its own meter. If the area of the Demised Premises is a fraction of the total area in a building serviced by a single meter, then Lessee shall reimburse a proportionate share of the Utility Costs paid by Lessor. Utility Costs paid by Lessor as provided in this clause shall be treated as Additional Rent and are in addition to any other Additional Rent incurred under this Lease.

☒ PAID DIRECTLY BY LESSEE

During each month of the Term of this Lease, or any renewal thereof, Lessee shall pay directly to the utility provider for all Utility Costs, as defined in Section 5 of Addendum A, for all utilities used by Lessee in the Demised Properties. Any unpaid Utility costs that are overdue by 30 days may be paid by Lessor at Lessor's sole discretion, without an obligation to pay overdue Utility Costs. All Utility Costs that are paid by Lessor under this clause shall be treated as Additional Rent and are in addition to any other Additional Rent incurred under this Lease.

8. Renewal Term and Renewal Term Rent:

- ☐ Renewal Term and Renewal Term Rent to be negotiated and subject to BPW approval.
- ☒ The terms and conditions of this Lease shall continue in effect in each of the Renewal Terms without further negotiation or change and without further BPW approval. Any new terms and conditions that may be negotiated between the Lessor and Lessee shall be subject to BPW approval.


| | | | | |
|--------------|------------------------|-------------------|---------|----------|
| Renewal Term | Length of Renewal Term | Renewal Term Rent | Monthly | Annually |
| 2 | 3 years | \$1.00 | | X |
| | | | | |

IN WITNESS WHEREOF, the parties hereto for themselves, their successors and assigns have set their hand and seal on the day and year first above written.

ATTEST:



LESSEE: The Arc of the Central Chesapeake
Region, Inc.


By: Jonathan Rondeau
Chief Executive Officer (SEAL)

ATTEST:

LESSOR: THE STATE OF MARYLAND
acting through the Maryland Department
of Health

By: Robert R. Neall
Secretary (SEAL)

Approved as to form and legal sufficiency this
____ day of _____, 20 ____;

Name: Steven Brown
Maryland Assistant Attorney General

BOARD OF PUBLIC WORKS OF THE STATE
OF MARYLAND

By: _____ (SEAL)
Lawrence J. Hogan, Jr., Governor

ATTEST:

By: _____ (SEAL)
Nancy K. Kopp, Treasurer

Executive Secretary
Board of Public Works

By: _____ (SEAL)
Peter Franchot, Comptroller

Approved by the Board of Public Works of the State of Maryland at a meeting held on the
____ day of _____, 20 ____ as Item No. ____ on the Department of General
Services Agenda.

9. Use and occupancy of the Demised Premises by Lessee shall be for, and only for:

| |
|--|
| Use: a group home for the developmentally disabled. |
|--|

10. Other Terms and Conditions: None

11. This Lease shall only be effective and binding upon the State with full execution by the parties and approval by the Maryland Board of Public Works. Lessee has no right to institute any action or proceedings to compel the State to present this Lease to the Board of Public Works or to compel the Board of Public Works to approve this Lease. In the event this Lease is not fully executed or approved by the State, Lessee's only remedy shall be to declare this Lease null and void.

12. In the event of any conflict between this Standard Revenue Lease Form DGS-680-3G and any other document attached hereto, incorporated by reference, or otherwise made part of this Lease apart from Md. Annotated Code or COMAR provisions, the provisions of this Standard Revenue Lease Form DGS-680-3G shall prevail.

[Remainder of page left intentionally blank; Signature page follows]

ADDENDUM A
STATE OF MARYLAND
DEPARTMENT OF HEALTH
STANDARD REVENUE LEASE GENERAL TERMS AND CONDITIONS
(Revised 7/2019)

1. Rental Payments. For purposes of definition, the rent called for in Section 6 of the Lease shall be referred to as "Basic Rent" or "Rent"; any additional charges, assessments, costs that are included as additional rent under the terms of this Lease shall be referred to as "Additional Rent". Rental payments shall be payable at the office of the Lessor, during normal business hours and shall be due on the first business day of the month or Lease year if so indicated, as appropriate. Each such payment shall be made promptly when due, without any deduction or set off whatsoever, and without demand. Any such payment which is less than the amount of Rent then due shall constitute a payment made on account thereof, the parties hereto hereby agreeing that the Lessor's acceptance of such payment (whether or not with or accompanied by an endorsement or statement that such lesser amount or the Lessor's acceptance thereof constitutes payment in full of the amount of Rent then due) shall not alter or impair the Lessor's rights hereunder to be paid all of such amount then due, or in any other respect. The Lessee shall pay the Rent and Additional Rent, in lawful currency of the United States of America, to the Lessor by delivering or mailing it to **Maryland Department of Health, Accounting Division, 201 West Preston Street, Baltimore, Maryland 21201** or to such other address or in such other manner as the Lessor from time to time specifies by written notice to the Lessee.

2. Rent Upon Termination. In the event Lessor terminates this Lease, (a) the Lessee shall pay to the Lessor the Annual Rent and any Additional Rent payable by the Lessee hereunder and accrued through the date of such termination, (b) the Lessor shall repay to the Lessee any and all prepaid Rent for periods beyond such termination, and (c) the Lessor may enter upon and repossess the Demised Premises without further notice.

3. Renewal. This Lease may be renewed as provided in Section 8 of the Lease Agreement (each of which is hereinafter referred to as a "Renewal Term"). Unless new or additional terms and conditions are negotiated by the parties at the end of a Term and approved by BPW, each Renewal Term(s) shall remain subject to all terms and conditions of this Lease. Any new or additional terms and conditions not approved by BPW are null and void. Renewal of this Lease is further predicated on the following:

- a. The State has not instituted any action or claim against the Lessee, and there is no current outstanding dispute or claim made by the State against the Lessee, including, but not limited to, current payment of all tax obligations.
- b. There exists no breach or default by Lessee as to any terms or conditions of this Lease.
- c. Lessee has notified the Lessor no later than One Hundred and Eighty (180) days prior to the expiration of the initial Lease whether it wishes to renew and Lessor consents to such renewal in writing within sixty (60) days after receipt of Lessee's notice, which consent may be withheld in the sole and absolute subjective discretion of the Lessor.
- d. Any Renewal Term(s) provided are extensions of the Original unless otherwise provided for herein or by any subsequent lease agreement.

4. Utility Costs. The Lessee shall pay all charges for the supply, connection (if applicable) and usage of electricity, gas, heat, water and telephone or other communication services used, and other services rendered or supplied, upon or in connection with the Demised Premises and all other charges and expenses assessed against the Demised Premises, ("Utility Costs") in accordance with Section 7 of the Lease, and shall indemnify and hold harmless the Lessor against and from any liability for unpaid Utility Costs. Lessor shall have the option, but not the obligation, to pay any unpaid Utility Costs of Lessee and such payments shall be added as Additional Rent and be immediately due and payable by the Lessee. Any construction required for the supply and connection of the utility and

communication services shall be done in compliance with the requirements set forth in this Lease and all applicable laws, ordinances and regulations. Any permits that are required for any construction shall be the responsibility of the Lessee and Lessee agrees to furnish copies of all permits to Lessor. The Lessee shall incur all Utility Costs in its name only, if separate meters or sub-meters service the Demised Premises and shall be the sole responsible party for payment thereof. Lessor shall not, however, be liable for any interruptions or failures of utility services to the Demised Premises. Upon Lease termination, Lessee, at Lessor's request, shall be responsible for promptly removing all cable installed by Lessee and Lessee shall be responsible for all costs associated therewith.

5. Taxes. The Lessee shall pay promptly when due, all taxes assessed in connection with the Lessee's use and occupancy of the Demised Premises, including but not limited to, federal and state income taxes, retail sales taxes, employment taxes, and Real Property taxes assessed against the Demised Premises pursuant to Section 6-102 of the Tax Property Article of the Annotated Code of Maryland (1986 volume, as amended from time to time).

6. Transfer of the Demised Premises/Assignment of Lease. The Lessee hereby acknowledges and agrees for itself and its successors and assigns in interest hereunder that it will not (a) assign this Lease or any of its rights under this Lease, as to all or any portion of the Demised Premises or otherwise, or (b) make or permit any voluntary or involuntary total or partial sale, lease, sublease, assignment, conveyance, license, mortgage, pledge, encumbrance or other transfer of any or all of the Demised Premises or the occupancy or use of any or all of the Demised Premises (each of which is hereinafter referred to as a "Transfer") without first obtaining the express written consent thereto by the Lessor and the State of Maryland Board of Public Works (which consent shall not constitute a consent to any subsequent such Transfer, whether by the person hereinabove named as "the Lessee" or by any such transferee). Any person to whom any Transfer is attempted without such consent shall have no claim, right or remedy whatsoever hereunder against the Lessor, and the Lessor shall have no duty to recognize any person claiming under or through the same. No Transfer made with or without the Lessor's consent shall alter or impair the obligations of the Lessee hereunder before Lessor consents to such Transfer. [SF&P 10-305(d)(3)].

7. Access to Demised Premises by Lessor. The Lessor reserves the right to enter upon the Demised Premises from time to time and at such times as it shall deem necessary. Should the Lessor during the term of this Lease, require the use of the Demised Premises, or any part thereof, for any public purpose whatsoever, to include an event determined to be an emergency in Lessor's sole and absolute discretion, Lessor shall have the unrestricted right to terminate this Lease in its entirety or any part thereof in accordance with Addendum A, Section 24, "Termination for Convenience". Should the Lessor require termination of this Lease for only a portion of the Demised Premises, the Rent and any Additional Rent provided for herein shall be reduced accordingly, effective on the day of termination.

8. Condition of Demised Premises. Lessee agrees, during the term of this Lease, to maintain the Demised Premises in a neat, orderly, safe and usable condition. The Lessee shall maintain the structural and nonstructural parts of the interior and exterior of the Demised Premises including by way of example rather than limitation, ceilings, doors, windows, interior and exterior walls, sidewalks and driveways, HVAC systems and electrical and plumbing fixtures, and roofs in good repair and condition. Upon termination of this Lease, Lessee shall surrender unto the Lessor the Demised Premises in as good condition as it was at the beginning of the term, reasonable wear excepted. Lessee shall be responsible for the complete care of the Demised Premises using best management practices. Lessee will keep the Demised Premises free of all trash and debris and shall provide security necessary to keep the Demised Premises in a safe and usable condition.

9. Use. In its use of the Demised Premises, the Lessee will not perform (nor permit to be performed) on any portion of said Demised Premises, any illegal, immoral or objectionable act or acts, nor will it perform (nor permit to be performed) anything in or about the Demised Premises which would contravene a policy of insurance against loss by fire, which insurance Lessor may, but is not required, to maintain.

10. Lessee Compliance with Laws. The Lessor's granting of this Lease does not imply approval of the State of Maryland, or the Maryland Department of Health, of the project contemplated herein, nor imply exception for any permit requirements. The Lessee shall be responsible for obtaining all permits, licenses, inspections and approvals required for its use

and occupancy of the Demised Premises. The Lessee's use and occupancy of the Demised Premises shall comply with the requirements of all applicable Federal, State, and local laws, ordinances, rules and regulations, including all applicable regulations and policies promulgated by the State of Maryland, or the Maryland Department of Health.

11. Alterations by Lessee. The Lessee shall not make any alteration, addition or improvement to the Demised Premises without first obtaining the Lessor's written approval thereto, which consent may be withheld in the sole and absolute discretion of the Lessor, such approval shall include approval of detailed plans and specifications for the proposed site plan and its improvements. If the Lessor consents to any such proposed alteration, addition or improvement, it shall be made at the Lessee's sole expense (and the Lessee shall hold the Lessor harmless from any cost incurred on account thereof), and at such time and in such manner as to not unreasonably interfere with the use and enjoyment of the remainder of the Demised Premises or the land by any person authorized or permitted to use the Demised Premises or the land. Any improvements made to the Demised Premises by the Lessee shall be made only in a good and workmanlike manner, in compliance with approved plans and specifications and in compliance with all applicable laws, regulations and ordinances. Copies of all necessary permits, licenses and other governmental approvals shall be delivered by Lessee to Lessor, prior to the commencement of construction of the improvements including evidence of performance, labor and material bonds in amounts satisfactory to Lessor.

12. Installed Fixtures Upon Termination. Any and all improvements, repairs, alterations, and all other property constructed, attached to or otherwise installed as fixtures on or within the Demised Premises by the Lessee shall, upon the termination of this Lease, become the Lessor's property without payment therefore by the Lessor, except that any machinery, equipment or fixtures installed by the Lessee at no expense to the Lessor and used in the conduct of the Lessee's trade or business (rather than to service the Demised Premises generally) shall remain the Lessee's property, and shall be removed by the Lessee at the end of the Term (and any damage to the Demised Premises caused by such removal shall be repaired to the Lessor's satisfaction at the Lessee's expense).

13. Liens. The Lessee shall (a) immediately after it is filed or claimed, have released (by bonding or otherwise) any mechanics', materialmen's or other lien filed or claimed against any or all of the Demised Premises or the improvements, by reason of labor or materials provided for or about any or all of the Demised Premises, or the improvements during the Term or otherwise arising out of the Lessee's use or occupancy of any or all of the Demised Premises and the improvements, and (b) defend, indemnify and hold harmless the Lessor against and from any and all liability, claim of liability or expense (including, by way of example rather than of limitation, that of reasonable attorneys' fees) incurred by the Lessor on account of any such lien or claim.

14. Discharge of Liens. If the Lessee fails to discharge any such lien within fifteen (15) days after it first becomes effective against any of the Demised Premises, then in addition to any other right or remedy held by the Lessor on account thereof, the Lessor may (a) discharge it by paying the amount claimed to be due or by deposit or bonding proceedings, and/or (b) in any such event compel the prosecution of any action for the foreclosure of any such lien by the lienor and pay the amount of any judgement in favor of the lienor with interest, costs and allowances. The Lessee shall reimburse the Lessor for any amount paid by the Lessor to discharge any such lien and all expenses incurred by the Lessor in connection therewith, together with interest thereon at the rate of twenty (20%) per annum from the respective dates of the Lessor's making such payments or incurring such expenses (all of which shall constitute Additional Rent).

15. Third-Party Contractor Guarantees. The Lessee agrees in the case of any renovation or construction being performed on the Demised Premises by third party contractors, the Lessee shall require such third party contractors to secure and deliver to the Lessor performance and payment bonds or other financial guarantees, satisfactory to the Lessor, in an amount not less than 100% of the estimated cost of the renovation or construction work to be undertaken running to the Lessee and the Lessor, as obligee, conditioned on completion of the renovation or construction in accordance with the approved plans and specifications for construction of the Final Site Plan improvements.

16. Lessee Insurance. The Lessee shall maintain at its expense, throughout the Term, (a) insurance against loss or liability in connection with bodily injury, death, property damage or destruction, occurring within the Demised Premises or arising out of the use thereof by the Lessee or its agents, employees, officers, permitted subtenants, invitees, visitors, and guests, under one or more policies of General Comprehensive Liability insurance having such limits as to each as are reasonably required by the Lessor from time to time, but in any event of not less than a minimum coverage of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate, and shall contain broad form GCL Endorsement or its equivalent, and (b) Worker's Compensation Insurance as required by applicable law. Each such policy shall (a) name as the insured thereunder the Lessor and the Lessee, (b) by its terms, be considered primary and non-contributory with respect to any other insurance (if any) carried by the Lessor or its permitted successors and assigns, (c) by its terms, be cancelable only on at least thirty (30) days prior written notice to the Lessor, and (d) be issued by an insurer of recognized responsibility licensed to issue such policy in Maryland.

17. Proof of Insurance. At least five (5) days before the Commencement Date, the Lessee shall deliver to the Lessor an original or a signed duplicate copy of each such policy (or at the Lessor's option, a certificate thereof), and (b) at least thirty (30) days before any such policy expires, the Lessee shall deliver to the Lessor an original or a signed duplicate copy of a replacement policy therefore (or at the Lessor's option, a certificate thereof). In the event the Lessee fails to pay any insurance premium when due, the Lessor shall have the option but not the obligation of paying such insurance premiums on behalf of the Lessee and, the Lessee shall immediately, upon demand, repay such sum to Lessor as Additional Rent.

18. Insurance on Improvements and Alterations. The Lessor will not insure, from casualty loss, any improvement erected by the Lessee pursuant to this Lease, to include fixtures, equipment, and personal property. It is a condition of this Lease that the Lessee shall maintain risk or fire and extended coverage insurance on all such improvements throughout the Term satisfactory in all respects to Lessor.

19. Indemnification. The Lessee shall be responsible for, and shall defend at Lessor's request, indemnify and hold harmless the Lessor, State of Maryland, and its members, officers, agents, and employees against and from, any and all liability or claim of liability (including reasonable attorneys' fees) arising out of (a) the Lessee's use, occupancy, conduct, operation or management of the Demised Premises during the Term, or (b) any work or thing whatsoever done or not done on the Demised Premises during the Term or (c) any breach or default by the Lessee in performing any of its obligations under the provisions of this Lease or applicable law, or (d) any negligent, intentionally tortious or other act or omission of the Lessee or any of its agents, contractors, servants, employees, permitted subtenants, licensees, clientele or invitees during the Term, or (e) any injury to or death of any person or damage to any property occurring on the Demised Premises during the Term. The Lessee agrees that indemnification as described in this section shall further mean and include indemnification of any injury or harm occurring as a result of Lessee's use and occupancy of the Demised Premises pursuant to this Lease Agreement, even if the injury does not become apparent or does not manifest until after expiration of this Lease Agreement.

20. Damage to Demised Premises. Anything contained in any provision of this Lease to the contrary notwithstanding, if any such damage to the Demised Premises is caused by or result from the negligent or intentionally tortious act or omission of the Lessee, those claiming under the Lessee or any of its officers, employees, agents or invitees, the Lessee shall pay to the Lessor upon demand, as Additional Rent, the cost of (a) any repairs and restoration made or to be made as a result of such damage, or (b) (if the Lessor elects not to restore the Demised Premises or Property) any damage or loss which the Lessor incurs as a result of such damage.

21. Casualty. If during the Term the Demised Premises is damaged by fire or other casualty, the Lessor shall have the option, in its sole discretion, to (a) proceed to restore and rebuild the Demised Premises, or (b) elect to terminate this Lease as of the date of the casualty.

22. Condemnation. If all or substantially all of the Demised Premises are taken by the exercise of any power of eminent domain or are conveyed to or at the direction of any governmental entity under a threat of such taking (each of which is herein referred to as a "Condemnation"), this Lease shall terminate on the date (hereinafter referred to as "the

Vesting Date") on which the title to so much of the Demised Premises as is the subject of such Condemnation vests in the condemning authority.

23. Partial Condemnation. If less than substantially all of the Demised Premises is taken, as aforesaid:

- a. This Lease shall continue in full force and effect unless the Lessee (a) reasonably determines that its ability to use and occupy the Demised Premises, in substantially the same manner as contemplated in this Lease, has been and will continue to be substantially impaired after such Condemnation, and (b) notifies the Lessor thereof in writing within thirty (30) days after the Vesting Date, in which event this Lease shall terminate on the date set forth in such notice [which date shall be at least thirty (30) days and not more than ninety (90) days after the date on which such notice is given],
- b. If this Lease is not terminated pursuant to the foregoing provisions of this subsection, the Annual Rent (and each installment thereof) shall be abated from the Vesting date through the Termination Date in proportion to the reduction, if any, of the fair market rental value of the Lessee's leasehold estate hereunder immediately before such Condemnation to its fair market rental value immediately thereafter (in each case assuming that such rental would be upon the terms and subject to the conditions set forth in the provisions of this Lease).

24. Condemnation Damages. Any proceeds from an award of damages given in connection with a Condemnation shall become the sole property and shall be paid directly to the Lessor, except for that portion of the award (if any) given specifically as relocation expenses for the Lessee.

25. Default. It shall be an event of default ("Event of Default") if the Lessee fails (a) to pay any Annual Rent, Additional Rent or other sum which it is obligated to pay by any provision of this Lease, when and as due and payable hereunder and without demand therefore, or (b) to perform any of its other obligations under the provisions of this Lease.

- a. Anything contained in the provisions of this Section to the contrary notwithstanding, on the occurrence of an Event of Default the Lessor shall not exercise any right or remedy on account thereof which it holds under any provision of this Lease or applicable law unless and until:
 - i. the Lessor has given written notice thereof to the Lessee, and
 - ii. the Lessee has failed, (a) if such Event of Default consists of a failure to pay money, within five (5) days after the Lessor gives such written notice to pay all of such money, or (b) if such Event of Default consists of something other than a failure to pay money, within thirty (30) days after the Lessor gives such written notice to cure such Event of Default (or, if such Event of Default is not reasonably curable within such period of thirty (30) days, to begin to cure such Event of Default within such thirty (30) day period and to diligently pursue such cure thereafter until it is fully cured).
- b. Notwithstanding the foregoing, no such notice of default shall be required to be given, and (even if the Lessor gives such notice) the Lessee shall be entitled to no such grace period, (i) in any emergency situation in which, in the Lessor's reasonable judgment, it is necessary for the Lessor to act to cure such Event of Default without giving such notice, or (ii) more than twice during any twelve (12) month period the Lessee has been in default under this Lease (regardless of whether the current Event of Default is the same as any previous Event of Default for which a notice was given).

26. Lessor Options on Event of Default. On the occurrence of any Event of Default, the Lessor may (subject to the operation and effect of the provisions of Section 21):

- a. Terminate this Lease by giving written notice of such termination to the Lessee, which termination shall be effective as of the date of such notice or any later date therefore specified by the Lessor therein and upon such termination repossess the Demised Premises in accordance with the requirements of applicable law; and/or

- b. Cure such Event of Default in any other manner; and/or
- c. Pursue any combination of such remedies and/or any other right of remedy available to the Lessor on account of such Event of Default under this Lease and/or at law or in equity.

Nothing herein contained shall limit or prejudice the Lessor's right to damages, by reason of such termination.

27. Lessee Obligations Upon Event of Default. On occurrence of an Event of Default, the Lessee shall, immediately on its receipt of a written demand therefore from the Lessor, pay to Lessor, as Additional Rent an amount sufficient to reimburse the Lessor for (a) all expenses (including, by way of example rather than of limitation, any and all repossession costs, management expenses, operating expenses, legal expenses and attorneys' fees) incurred by the Lessor in: (i) curing or seeking to cure any Event of Default and/or (ii) exercising or seeking to exercise any of the Lessor's rights and remedies under the provisions of this Lease and/or at law or in equity on account of any Event of Default, and (iii) or as otherwise arising out of any Event of Default.

28. Termination for Convenience. This Lease may be terminated by the Lessor in accordance with this clause, in whole, or from time to time in part, whenever the Lessor shall determine that such termination is in the best interest of the Lessor.

29. Termination and Extension. This Lease and the tenancy hereby created shall cease and terminate at the end of the above Term, or any Renewal Term, without the necessity of any further notice from either the Lessor or the Lessee to terminate the same and the continued occupancy of the Demised Premises by the Lessee after the expiration of said term shall not operate to renew the said Lease for said Term or any part thereof. In the event of such holding over by the Lessee, the Lessee shall be and remain liable to the Lessor for Rent and any Additional Rent for the Demised Premises for the time the same are actually occupied by the Lessee, said Rent to be at the rate hereinabove set forth; but nothing herein shall confer upon the Lessee any right to remain on the Demised Premises after termination, except with the consent of the Lessor.

30. Inquiries About Lessee's Performance. For inquiries concerning the performance of the Lessee's obligations under this Lease, Lessor shall contact Lessee at the Demised Premises.

31. Inquiries About Lease. For inquiries concerning interpretation or modification of the Lease and inspection of the Demised Premises, Lessee shall contact the **Chief of Lease Management and Procurement Division of the Department of General Services, 300 W. Preston Street, Room 601, Baltimore, Maryland 21201.**

32. Compliance with Laws. As applicable, Lessee shall comply, at its sole cost and expense, with the Comprehensive Environmental Response, Compensation and Liability Act 1980, 42 U.S.C. §9601 et seq., as amended, the Resource Conservation and Recovery Act 42 U.S.C. §6901, et seq., as amended, the Toxic Substance Control Act, 15 U.S.C. §2601, et seq., as amended, the Clean Water Act, 33 U.S.C. §1251, et seq., their respective State of Maryland statutes, including but not limited to, Title 7 of the Annotated Code of Maryland, "Hazardous Materials and Hazardous Substances", and any other, Federal, State, or local statute, law, ordinance, resolution, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning Hazardous Material, as defined below (the "Environmental Laws"). The Lessee shall indemnify, protect and hold harmless the Lessor from and against any and all costs, liability, suits and expenses in respect of any violation of this section or any violation of the Comprehensive Environmental Response Compensation and Liability Act 1980 (as amended) or any other Environmental Laws.

33. Hazardous Material. Hazardous Material means and includes any hazardous substance, or any pollutant or contaminant defined as such in, or for the purpose of, the Environmental Laws, including, but not limited to, underground storage tanks, asbestos or asbestos-containing materials, oils, petroleum-derived compounds, pesticides polychlorinated biphenyls, or other toxic or hazardous substances, pollutants or contaminants.

34. Environmental Hazards Prohibition. The Lessee shall not place, deposit, store, treat, dispose of, manage, generate, manufacture, produce, release, emit or discharge Hazardous Material, or permit any other person to do the same, on, in, under or near the Demised Premises or the Property, without prior written consent of the Lessor. Violation of this provision shall be an Event of Default. The Lessee shall indemnify, protect and hold harmless the Lessor from and against any and all costs, liability, suits and expenses in respect of any violation of this section or any violation of the Comprehensive Environmental Response Compensation and Liability Act 1980 (as amended) or any other Environmental Laws.

35. Contingent Fee Prohibition. The Lessee warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee or agent working for the Lessee, to solicit or secure this Lease, and that it has not paid or agreed to pay any person, partnership, corporation, or other entity, other than a bona fide employee or agent, any fee or any other consideration contingent on the making of this Lease.

36. Safety of Persons. Lessee further covenants and agrees to take such steps as are necessary to ensure the safety and protection of the persons residing at or employed at the Demised Premises or Property. Lessee shall further abide by and be subject to Exhibit B, Lessor Rule and Policies for Demised Premises, as of the date of this Lease and as may be amended from time to time. Lessee's failure to abide by this Section 36 shall be considered a breach of this Lease and an Event of Default.

37. Governing Law. The provisions of this Lease shall be governed by the laws of the State of Maryland and the parties hereby expressly agree that the courts of the State of Maryland shall have jurisdiction to decide any questions arising hereunder after all administrative remedies have been exhausted.

38. Non-Discrimination. As a condition of entering into this Agreement, Lessee represents and warrants that it will comply with the State's Commercial Nondiscrimination Policy, as described under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland. As part of such compliance, Lessee may not discriminate on the basis of race, color, religion, ancestry, national origin, sex, age, marital status, sexual orientation, sexual identity, genetic information or an individual's refusal to submit to a genetic test or make available the results of a genetic test or on the basis of disability, or other unlawful forms of discrimination in the solicitation, selection, hiring, or commercial treatment of subcontractors, vendors, suppliers, or commercial customers, nor shall Lessee retaliate against any person for reporting instances of such discrimination. Lessee shall provide equal opportunity for subcontractors, vendors, and suppliers to participate in all of its public sector and private sector subcontracting and supply opportunities, provided that this clause does not prohibit or limit lawful efforts to remedy the effects of marketplace discrimination that have occurred or are occurring in the marketplace. Lessee understands that a material violation of this clause shall be considered a material breach of this Agreement and may result in termination of this Agreement, disqualification of Lessee from leasing State property in the future, or other sanctions. This clause is not enforceable by or for the benefit of, and creates no obligation to, any third party.

38.1. Cooperation. As a condition of entering into this Agreement, upon the request of the Commission on Civil Rights, and only after the filing of a complaint against Lessee under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland, as amended from time to time, Lessee agrees to provide within 60 days after the request a complete list of the names of all subcontractors, vendors, and suppliers that Lessee has used in the past 4 years on any of its contracts that were undertaken within the State of Maryland, including the total dollar amount paid by Lessee on each subcontract or supply contract. Contractor further agrees to cooperate in any investigation conducted by the State pursuant to the State's Commercial Nondiscrimination Policy as set forth under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland, and to provide any documents relevant to any investigation that are requested by the State. Lessee understands that violation of this clause is a material breach of this Agreement and may result in lease termination, disqualification by the State from leasing State property, and other sanctions.

39. Waiver. The waiver at any time by the Lessor or Lessee of any particular covenant or condition of the Lease shall extend to the particular case only, for the particular time and in the particular manner specified, and such waiver shall not be construed or understood as waiving any further or other rights of any character whatever.

40. Non-waiver of Immunity. Nothing in this Lease shall constitute a waiver of any immunity which the Lessor may be entitled to under the laws of the State of Maryland, as they may be amended from time to time.

41. No Waiver of Requirements. The Lessor shall not be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing. No delay or omission by the Lessor in exercising any such right shall be deemed a waiver of its future exercise. No such waiver made as to any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right.

42. Complete Writing. This Lease represents the complete understanding between the parties hereto as to the subject matter hereof, and supersedes all prior written or oral negotiations, representations, warranties, statements or agreements between the parties hereto as to the same. No inducements, representations, understandings or agreements have been made or relied upon in the making of this Lease, except those specifically set forth in the provisions of this Lease. Neither party hereto has any right to rely on any other prior or contemporaneous representation made by anyone concerning this Lease which is not set forth herein.

43. Severability - Generally. No determination by any court, governmental body or otherwise that any provision of this Lease or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of (a) any other such provision, or (b) such provision in any circumstance not controlled by such determination. Each such provision shall be valid and enforceable to the fullest extent allowed and shall be construed wherever possible as being consistent with, applicable law.

44. Recordation. In the event either party desires to have this Lease recorded in the County in which the Demised Premises is located, the Lessee shall be liable to pay any and all transfer taxes or recordation taxes. In the event this Lease is recorded, the Lessee agrees upon termination of this Lease to deliver to Lessor a release document in recordable form.

45. Political Contribution Disclosure. The Lessee shall comply with Election Law Article, Title 14, Annotated Code of Maryland, which requires that every person that enters into a procurement contract with the State, a county, or a municipal corporation, or other political subdivision of the State during a calendar year, in which the person receives a contract with a governmental entity in an amount of \$200,000 or more, shall file with the State Board of Elections a statement disclosing (a) any contributions made during a reporting period to a candidate for an elective office in any primary or general election; and (b) the name of each candidate to whom one or more contribution in a cumulative amount of \$500 or more made during the reporting period. The statement shall be filed with the State Board of Elections: (a) the execution of a contract by the State, a county, an municipal corporation, or other political subdivision of the State, and shall cover the 24 months prior to when the contract was awarded; and (b) if the contribution is made after the execution of a contract, then twice a year, throughout the contract term, on or before (i) May 31, to cover the six (6) month period ending April 30; and (ii) November 30, to cover the six (6) month period ending October 31. Additional information is available on the State Board of Elections website: http://www.elections.state.md.us/campaign_finance/index.html.

46. Joint and Several Liability. Whenever two or more persons constitute the Lessee, they shall be jointly and severally liable for performing Lessee's obligations under this Lease.

47. Representations and Warranties. The Lessee hereby represents and warrants that:

- (a) It is qualified to do business in the State of Maryland and that it will take such action, as from time to time hereafter, may be necessary to remain so qualified.
- (b) It is not in arrears with respect to the payment of any monies due and owing the State of Maryland, or any department of unit thereof, including but not limited to the

ADDENDUM B
MARYLAND STANDARD REVENUE LEASE AFFIDAVIT
(Revised 7/2019)

READ CAREFULLY. THIS AFFIDAVIT IS A MATERIAL PART OF THE LEASE.

A. AUTHORITY

I HEREBY AFFIRM THAT:

I, (print name) Jonathan Rondeau possess the legal authority to make this Affidavit on behalf of (Lessee) The Arc of the Central Chesapeake Region, Inc

B. CERTIFICATION OF REGISTRATION OR QUALIFICATION WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION

I FURTHER AFFIRM THAT:

The Lessee named above is a (check applicable items):

- (1) ☒ Corporation: ☒ domestic or ☐ foreign;
(2) ☐ Limited Liability Company: ☐ domestic or ☐ foreign;
(3) ☐ Partnership: ☐ domestic or ☐ foreign;
(4) ☐ Statutory Trust: ☐ domestic or ☐ foreign;
(5) ☐ Sole Proprietorship;

and is registered or qualified as required under Maryland Law.

I FURTHER AFFIRM THAT:

The above Lessee is in good standing both in Maryland and (IF APPLICABLE) in the jurisdiction where it is presently organized, and has filed all its annual reports, together with filing fees, with the Maryland State Department of Assessments and Taxation. The name and address of its resident agent (IF APPLICABLE) filed with the State Department of Assessments and Taxation is:

Name and Department: The Arc of the Central Chesapeake Region, Inc.
ID: DD0253347 Number: 1000362011388347
Address: 1332 Donald Avenue, Severn, MD 21144

and that if it does business under a Trade Name, it has filed a certificate with the State Department of Assessments and Taxation that correctly identifies that true name and address of the principal or owner as:

Name and Department: _____
ID: _____ Number: _____
Address: _____

C. FINANCIAL DISCLOSURE AFFIRMATION

I FURTHER AFFIRM THAT:

I am aware of, and the above Lessee will comply with, the provisions of State Finance and Procurement Article, § 13-221, Annotated Code of Maryland, which require the Lessee to file with the Secretary of State of Maryland certain specified information, including disclosure of beneficial ownership of the Lessee, within 30 days of the date the aggregate value of any contracts, leases, or other agreements that the Lessee enters into with the State of Maryland or its agencies during a calendar year reaches \$200,000.

payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Lease.

(c) It shall observe, be responsible for and comply with all rules and regulations duly promulgated by Lessor from time to time and all federal, state and local laws, regulations and ordinances applicable to Lessee's use, activities and obligations under this Lease.

(d) In its use and occupancy of the Demised Premises and the related and supporting facilities and grounds, it shall, in all respects, be solely responsible, financially and/or otherwise, for full and complete compliance with (a) the Maryland Building Performance Standards, Public Safety Article, Title 12, Subtitle 5, Annotated Code of Maryland; (b) The Americans with Disabilities Act of 1990 (42 United States Code, Section 12101 et seq.); and (c) the Occupational Safety and Health Standards of the State of Maryland and the United States, including but not limited to the presence of friable asbestos or other hazardous materials or chemicals.

(e) It shall obtain at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Lease and Lessor's granting of this Lease does not imply Lessor's approval of the project contemplated herein, nor imply exception from any permit or license requirements.

48. Lease Amendments. This Lease may be amended, but only in writing, signed and executed with all formalities and signatures with which this Lease is signed and executed.

49. Subordination. Lessor's fee simple interest in the Demised Premises may not be encumbered or subordinated by operation of this Lease or by any action taken by the Lessee.

50. Non-Smoking. Smoking is not permitted in State-owned or operated facilities. Smoking shall only be allowed in designated smoking areas of the Demised Premises or Property, if any.

51. Recycling. The Lessee understands that the Lease is subject to the provisions of Section 9-1706 of the Environment Article, Annotated Code of Maryland (Recycling Plan for State Government). Lessee shall collect and properly recycle recyclable materials.

52. Mineral Rights. This Lease does not convey to Lessee any interest in or to any mineral rights.

53. Addendum. The Lessee agrees to fully complete, execute and/or comply with the affidavits, exhibits and addenda that are attached to the Lease and fully incorporated as a part of the Lease by reference thereto.

[END OF REVENUE LEASE GENERAL TERMS AND CONDITIONS]

[Remainder of page left intentionally blank]

D. POLITICAL CONTRIBUTION DISCLOSURE AFFIRMATION
I FURTHER AFFIRM THAT:

I am aware of, and the above Lessee will comply with, Election Law Article, Title 14, Annotated Code of Maryland, which requires that every person that enters into a procurement contract with the State, a county, a municipal corporation, or other political subdivision of the State, during a calendar year in which the person receives a contract with a governmental entity in the amount of \$200,000 or more shall file with the State Board of Elections statements disclosing: (a) any contributions made during the reporting period to a candidate for elective office in any primary or general election; and (b) the name of each candidate to whom one or more contributions in a cumulative amount of \$500 or more were made during the reporting period. The statement shall be filed with the State Board of Elections: (a) before execution of a contract by the State, a county, a municipal corporation, or other political subdivision of the State, and shall cover the 24 months prior to when a contract was awarded; and (b) if the contribution is made after the execution of a contract, then twice a year, throughout the contract term, on: (i) May 31, to cover the six (6) month period ending April 30; and (ii) November 30, to cover the six (6) month period ending October 31.

E. DRUG AND ALCOHOL-FREE WORKPLACE

I CERTIFY THAT:

BY THE ENTERING INTO THIS LEASE AND THE EXECUTION OF THIS AFFIDAVIT, THE LESSEE AFFIRMS THAT THE REQUIREMENTS SET FORTH IN COMAR 21.11.08.01., 02. AND 03. SHALL APPLY TO THE LEASE AND ARE DEEMED A MATERIAL PART HEREOF.

I FURTHER CERTIFY THAT:

- (1) Terms defined in COMAR 21.11.08 shall have the same meanings when used in this certification.
- (2) By the Lessee, if other than an individual, certifies and agrees that, with respect to its employees to be employed while the Lessee occupies the Demised Premises, it shall:
 - (a) Maintain a workplace free of drug and alcohol abuse during the term of the contract;
 - (b) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of drugs, and the abuse of drugs or alcohol is prohibited in the Lessee's workplace and specifying the actions that will be taken against employees for violation of these prohibitions;
 - (c) Prohibit its employees from working under the influence of drugs or alcohol;
 - (d) Not hire or assign to work in the Demised Premises anyone who the Lessee knows, or in the exercise of due diligence should know, currently abuses drugs or alcohol and is not actively engaged in a bona fide drug or alcohol abuse assistance or rehabilitation program;
 - (e) Promptly inform the appropriate law enforcement agency of every drug-related crime that occurs in its workplace if the Lessee has observed the violation or otherwise has reliable information that a violation has occurred;
 - (f) Establish drug and alcohol abuse awareness programs to inform its employees about:
 - (i) The dangers of drug and alcohol abuse in the workplace;
 - (ii) The Lessee's policy of maintaining a drug and alcohol-free workplace;
 - (iii) Any available drug and alcohol counseling, rehabilitation, and employee assistance programs; and
 - (iv) The penalties that may be imposed upon employees who abuse drugs and alcohol in the workplace;
 - (g) Provide all employees engaged in the performance of work within the Demised Premises with a copy of the statement mentioned in Paragraph E(2)(b), of this Affidavit;
 - (h) Notify its employees in the statement required in Paragraph E(2)(b) of this Affidavit, that as a condition of continued employment on the contract, the employee shall:
 - (i) Abide by the terms of the statement; and
 - (ii) Notify the employer of any criminal drug or alcohol abuse conviction for an offense occurring in the workplace not later than 5 days after a conviction;
 - (i) Notify the Lessor within 10 days after receiving notice under Paragraph E(2)(h)(ii), of this Affidavit, or otherwise receiving actual notice of a conviction;
 - (j) Within 30 days after receiving notice under Paragraph E(2)(h)(ii), of this Affidavit, or otherwise receiving actual notice of a conviction, impose either of the following sanctions or

remedial measures on any employee who is convicted of a drug or alcohol abuse offense occurring in the workplace:

- (i) Take appropriate personnel action against an employee, up to and including termination; or
- (ii) Require an employee to satisfactorily participate in a bona fide drug or alcohol abuse assistance or rehabilitation program;

and

(k) Make a good faith effort to maintain a drug and alcohol-free workplace through implementation of Paragraph E(2)(a)-(i), of this Affidavit.

(3) If the Lessee is an individual, the individual shall certify and agree as set forth in Paragraph E(4), of this Affidavit, that the individual shall not engage in the unlawful manufacture, distribution, dispensing, possession, or use of drugs or the abuse of drugs or alcohol in the performance of the contract.

(4) I acknowledge and agree that:

(a) The entering into this Lease is conditional upon compliance with the same requirements as COMAR 21.11.08 and this certification;

(b) The violation of the provisions of COMAR 21.11.08 or this certification shall be cause for termination of the Lease for default under the terms thereof.

**F. CERTAIN AFFIRMATIONS VALID
I FURTHER AFFIRM THAT:**

To the best of my knowledge, information, and belief, each of the affirmations, certifications, or acknowledgements contained in that certain application to lease dated

February 20, 2020, and executed by me for the purpose of obtaining the lease to which this Exhibit is attached remains true and correct in all respects as if made as of the date of this Lease Affidavit and as if fully set forth herein.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

Date: 02/20/2020

By: [Signature]
(signature of Authorized Representative and affiant)

Jonathan Londeca
(printed name of Authorized Representative and affiant)

CORPORATE RESOLUTION

OF THE

MEMBERS/BOARD OF DIRECTORS OF

The Arc of the Central Chesapeake Region, Inc.
(Name of Organization)
 a Maryland Nonprofit corporation
(type)

During a regular meeting of the voting members of the above-named Board of Directors held on the 28 day of September, 2017 it was voted that

Jonathan Rondeau, CEO (Name and Title) is hereby authorized and empowered to make, enter into, sign, seal and deliver on behalf of this Nonprofit corporation any (type of corporation) and all legal contracts or leases that are deemed in the best interest of

The Arc of the Central Chesapeake Region, Inc.
(Name of Organization)

CERTIFICATE

I, Kathleen Creighton, Managing Member/Secretary to the Board
(Name of Managing Member or Secretary)
of Directors, do certify that during a regular meeting on the 28 day of September, 2017 the above resolution was passed, and that

the same has not been repealed or amended and remains in full force and effect and does not conflict with the by-laws of said corporation.

Kathleen Creighton

(Printed Name of the Managing Member or Secretary of the Board of Directors)

Kathleen Creighton 2/20/2020
(Signature of the Managing Member or Secretary of the Board of Directors) (Date)

MARYLAND DEPARTMENT OF HEALTH

**PROHIBITED CONDUCT AT ALL DEPARTMENT OF HEALTH TENANT-OCCUPIED
AND RIGHT-OF-ENTRY-OCCUPIED BUILDINGS AND GROUNDS**

Unless otherwise approved by MDH in writing the following policies and rules shall be strictly adhered to throughout the term of your Lease, Right of Entry or Limited Licensee's Release, Waiver, and Hold Harmless Agreement. Any violation of these policies and rules shall be an Event of Default in accordance with the Lease Agreement, Right of Entry or Limited Licensee's Release, Waiver, and Hold Harmless Agreement. MDH may amend and update these policies and rules at any time.

1. Tobacco and Nicotine Products

All tobacco products are banned from all tenant-occupied buildings and grounds at MDH-operated facilities, including group homes. These products include, but are not limited to cigars, cigarettes, e-cigarettes, snuff and chewing tobacco.

2. Weapons

The following items are considered weapons in all instances and are banned from all tenant-occupied buildings and grounds at MDH-operated facilities, including group homes:

- Firearms of any type loaded or unloaded
- Knives and other sharp cutting instruments
- Clubs, and other bludgeon devices
- Mace
- Tasers

2. On-site private security may be permitted; however, weapons, as defined above, are banned.

4. Illicit Drugs and Spirited Beverages

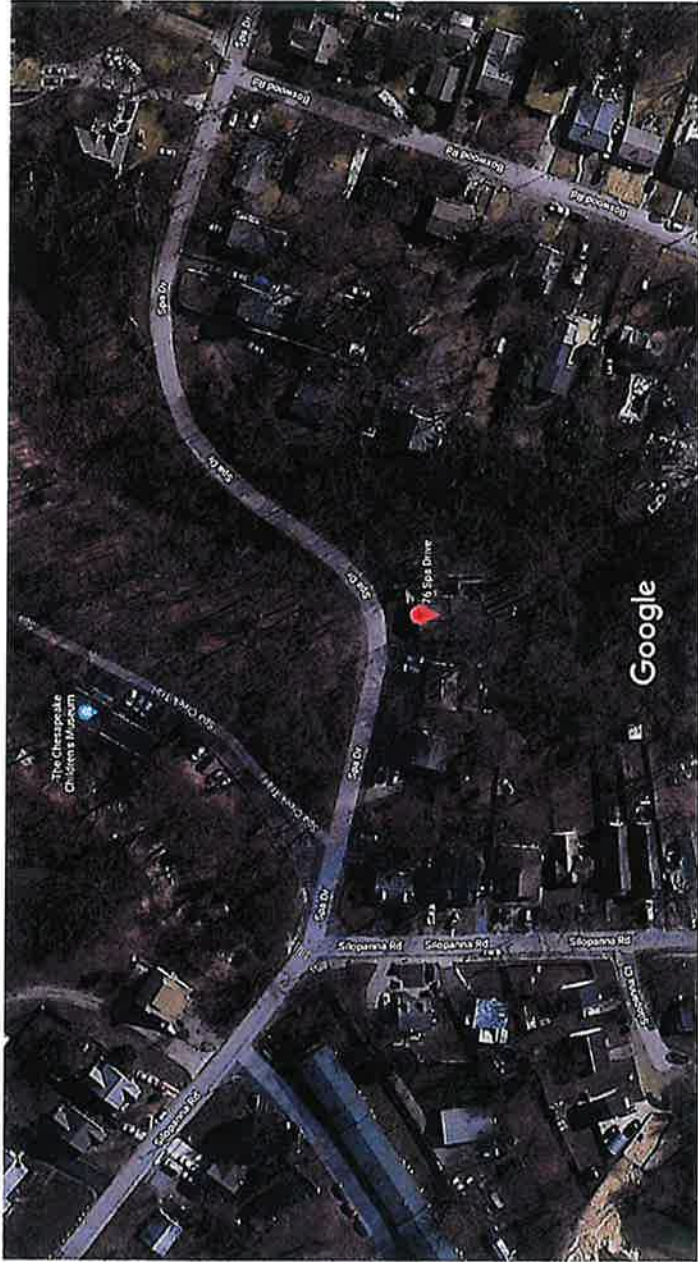
- Use or possession of illicit drugs and spirited beverages is prohibited in tenant-occupied space and the general grounds of the facility.

**PROCEDURES TO MITIGATE INCIDENTS INVOLVING
PROHIBITED CONDUCT AT ALL DEPARTMENT OF HEALTH TENANT-
OCCUPIED AND RIGHT-OF-ENTRY-OCCUPIED BUILDINGS AND GROUNDS**

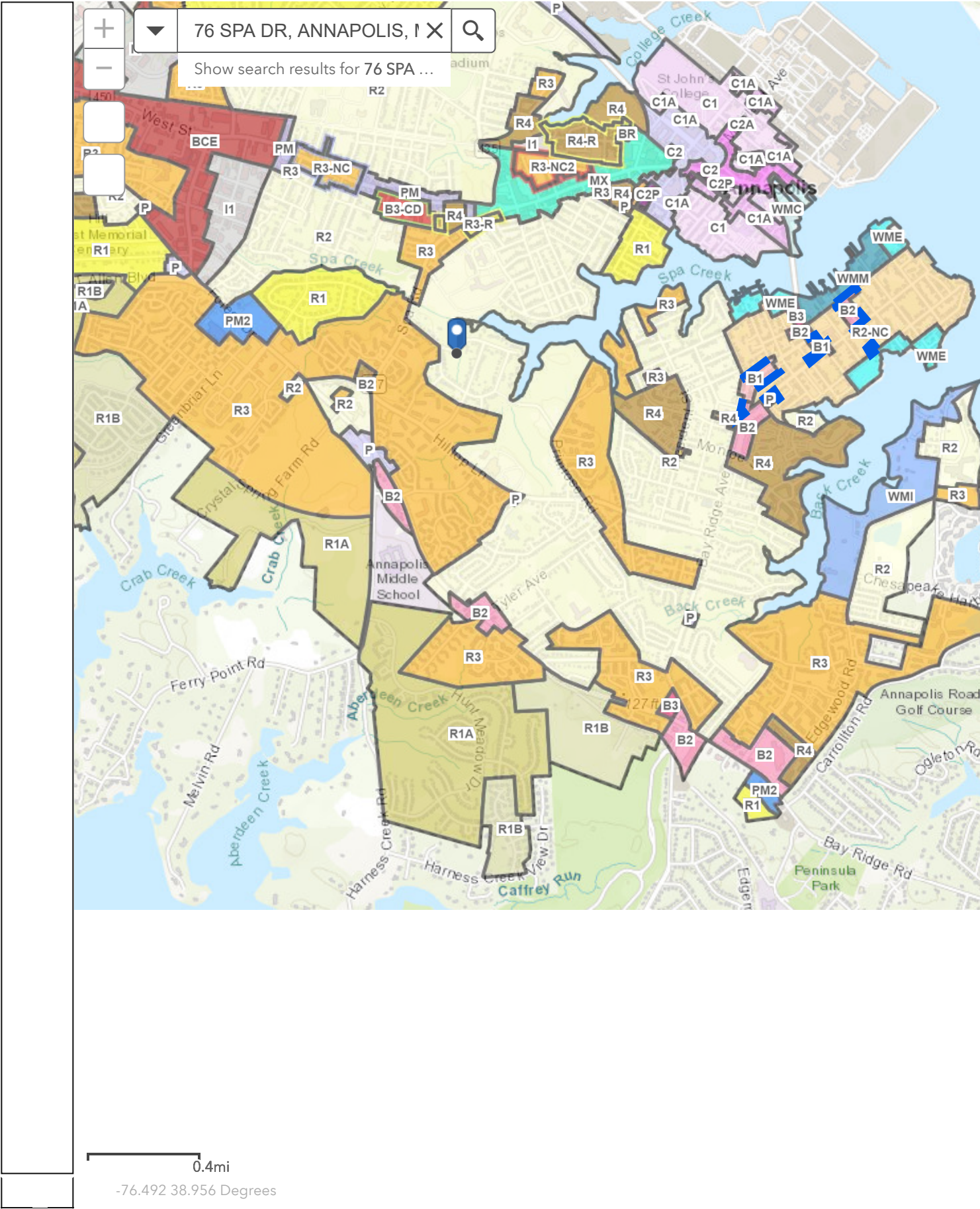
Procedures to Mitigate Incidents

- 1) If an incident should occur requiring intervention by local police, the tenant shall use the following procedure:
 - Immediately notify facility security, if applicable, of incident and planned action
 - Notify local authorities and request on-site assistance
 - File an incident report with the facility security or, for Group Homes, the MDH Office of Capital Planning, Budgeting and Engineering Services
- 2) All tenants, permissive users or Licensee must follow State Facility policies and Facility Chief Executive Officer's direction.

Additional Description of Property/Map



ATTACHMENT 10:
EVIDENCE OF ZONING COMPLIANCE



ATTACHMENT 11: PROJECT ESTIMATE



"We Build a Tradition of Trust"

BuilderGuru Contracting, Inc. | Gardiner & Gardiner Contracting, LLC

JOB PROPOSAL

PROJECT: Arc House
ARCHITECT: N/A
ESTIMATOR: TMH

LOCATION: 76 Spa Drive, Annapolis
BID: Budget
DATE: December 2, 2020

| CSI # | TRADE | VALUE |
|--------|--|-----------|
| 01-000 | GENERAL CONDITIONS - INCLUDING PRECONSTRUCTION | \$ 9,150 |
| 01-130 | INSURANCE | \$ 650 |
| 02-600 | LANDSCAPING | \$ 2,500 |
| 03-005 | CONCRETE | \$ 29,000 |
| 04-020 | MASONRY | \$ 10,500 |
| 07-250 | SIDING | \$ 3,750 |
| 07-500 | CAULKING | \$ 1,250 |
| 08-280 | GLAZING | \$ 2,750 |
| 09-360 | PAINT / WALLCOVERING | \$ 5,990 |
| | SUB TOTAL | \$ 65,540 |
| | BGC FEE | \$ 6,554 |
| | TOTAL | \$ 72,094 |

ADD ALTERNATES:

| | | |
|-------|-------------------------|-----------|
| ALT 1 | New Roof | \$ 14,490 |
| ALT 2 | New Gutter & Downspouts | \$ 2,200 |
| ALT 3 | New Fascia & Soffits | \$ 7,540 |
| ALT 4 | New Windows | \$ 25,616 |
| ALT 5 | New Doors | \$ 12,300 |
| ALT 6 | Paint Rusty Rails | \$ 995 |

741 Generals Highway, Suite 104, Millersville, MD 21108

tel: 410.923.1379 | fax: 410.923.2752

www.builderguru.com

www.gardinerandgardiner.com



"We Build a Tradition of Trust"

BuilderGuru Contracting, Inc. | Gardiner & Gardiner Contracting, LLC

SCOPE CLARIFICATIONS

01-000 GENERAL CONDITIONS – INCLUDING PRECONSTRUCTION

SCOPE TO INCLUDE:

Full Time Onsite Superintendent and Project Management Team,
Labor as Needed, Final Cleaning, Construction Debris Removal and Dumpsters
Construction Support Expenses i.e.. Transportation, Onsite Communications

02-600 LANDSCAPE

SCOPE TO INCLUDE:

- Allowance to repair disturbed from mason work & concrete work

03-005 CONCRETE

SCOPE TO INCLUDE:

- Demo the existing door stoop & steps at the south-east corner of the building
- Excavate down to the existing footers
- Install 6 helical piles – based on David Wallace's letter of March 18, 2009
 - Shaft SS-175
 - Bracket C1550-0299
 - Capacity 60,000 in compression
- Once all helical piles are installed
 - Backfill to subgrade
 - Replace the entry steps & stoop

04-020 MASONRY

SCOPE TO INCLUDE:

- West side replace 2 lintels and grind out and repoint 3 bad cracks with Type S mortar
- Back of house infill 2 openings and small point up area
- East side point up at the top of brick work
- Front grind out and repoint with non shrink grout infill under 2 sliders with brick to make into windows

07-250 SIDING

SCOPE TO INCLUDE:

- Remove existing siding and louver
- Install Tyvek Housewrap
- Install new aluminum louver
- Install 6" prepainted smooth hardiboard siding (manufacturers standard colors)

07-500 CAULKING

SCOPE TO INCLUDE:

- As needed for new work

08-281 GLAZING

SCOPE TO INCLUDE:

- (2) new windows at existing

09-360 PAINT/ WALLCOVERING

SCOPE TO INCLUDE:

- Exterior prime & paint brick
- Paint Doors, Frames, Windows, Shutters as noted per walk thru