

THE ARC OF MONTGOMERY, BERKS AND BUCKS COUNTIES
Formerly known as The Arc of Montgomery County
Effective November 12, 1997
Revised January 1, 2008

BYLAWS

ARTICLE I

GENERAL

Section 1.1 Name. The name of the corporation is The Arc of Montgomery, Berks and Bucks Counties ("THE ARC"). THE ARC shall be a chapter of The Arc of Pennsylvania and The Arc of the United States.

Section 1.2 Definitions. As used in these bylaws, the terms "person with mental retardation" and "person with developmental disabilities" shall include all persons with mental retardation or a developmental disability, respectively, regardless of age, degree or type of mental retardation or developmental disability or whether such person resides in the community or in an institution.

Section 1.3 Vision. THE ARC's vision is to have a society that value and supports all persons with developmental disabilities so that these individuals can enjoy participation in every day life experiences similar to all other citizens. THE ARC is a leader in helping society, particularly communities in Montgomery County, to further the actualization of this vision.

Section 1.4 Mission. THE ARC is committed to securing for all persons with developmental disabilities the opportunity to choose and realize their goals of determining where and how they will learn, live, work and play. THE ARC is further committed to reducing the incidence and limiting the consequences of mental retardation through education, research, advocacy, outreach and the linking of individuals and their families with community support and services. Through the pursuit of quality and justice, THE ARC strives to provide leadership in the field of mental retardation and developmental disabilities and supports the development of human and financial resources to reach these goals.

Section 1.5 Purposes. The purposes of THE ARC are:

- (i) to promote the general welfare of persons with mental retardation and other developmental disabilities;

- (ii) to foster and support the development of public policy, increase public knowledge and facilitate improvements in the quality of life for persons with developmental disabilities and their families;
- (iii) to provide leadership in all areas of advocacy for and by persons with developmental disabilities;
- (iv) to provide assistance so that persons with developmental disabilities and their families are empowered to make decisions concerning their lives;
- (v) to help persons with developmental disabilities become self-advocates;
- (vi) to assure that the life experiences of persons with developmental disabilities are similar to those of persons without developmental disabilities;
- (vii) to strengthen the community's commitment to persons with developmental disabilities;
- (viii) to support and provide leadership and research for the prevention of developmental disabilities;
- (ix) to solicit and invest funds for the accomplishment of the foregoing purposes;
- (x) to be operated exclusively to support, and in connection with, Arc Advocacy Services and Marc Children's Services, tax-exempt corporations meeting the requirements of § 509(a)(1) and § 170(b)(1)(A)(vi) of the Internal Revenue Code of 1986, as amended (the "Code"), all within the meaning of Section 509(a)(3) of the Code.

Section 1.6 No Political Action. No substantial part of the activities of THE ARC shall consist of carrying on propaganda, or otherwise attempting to influence legislation (except as may be permitted under Section 501(h) of the Code, or the corresponding provision of any subsequent Federal tax laws); nor shall THE ARC in any manner or to any extent participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

Section 1.7 Nonprofit Status. THE ARC is a nonprofit, nonsectarian organization. No part of the net earnings of THE ARC shall inure to the benefit of or will be distributable to its directors, officers, or other private persons, except that THE ARC shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the corporate purposes. THE ARC shall pursue a policy of nondiscrimination in all of its activities. Upon any dissolution of THE ARC, all properties of THE ARC shall be distributed to such organizations which serve persons with developmental disabilities

and which qualify under Section 501(c)(3) of the Code, or any successor provision thereto, including, without limitation, Arc Advocacy Services, Marc Children's Services and Marc Foundation, as may be determined by the Board of Directors.

Section 1.8 Conflict of Interest.

1.8.1 No employee of THE ARC, Arc Advocacy Services, Marc Children's Services or Marc Foundation (collectively, "THE ARC Organizations") and no member of any such employee's immediate family (as hereinafter defined) shall serve as an officer or director of THE ARC. For purposes of these bylaws, a person shall be considered a member of the immediate family of another person if the first person is a spouse, parent, sibling or child of the second person, whether by birth, marriage or legal adoption. If an officer or director of THE ARC desires to apply for a full-time employment position with THE ARC Organization, such officer or director must resign his or her position as an officer or director prior to such application.

1.8.2 No officer or director of THE ARC and no member of any committee of the Board of Directors of THE ARC shall participate in any way in any decision relating to his or her possible employment by THE ARC and, if any such person is employed by THE ARC, it shall be a condition to such employment that the person resign as an officer, director or member of any committee of the Board of Directors of THE ARC other than the Personnel Committee.

1.8.3 No employee, officer or director of THE ARC and no member of any committee of the Board of Directors of THE ARC shall vote on any matter in which he or she has a pecuniary business interest at any meeting of the members of THE ARC or any committee of the Board of Directors of THE ARC.

Section 1.9 Corporation Office.

1.9.1 THE ARC shall have and continuously maintain in the Commonwealth of Pennsylvania a registered office at an address to be designated from time to time by the Board of Directors which may, but need not, be the same as its place of business.

1.9.2 THE ARC may also have offices at such other places as the Board of Directors may from time to time designate or the business THE ARC may require.

ARTICLE II
MEMBERSHIP

Section 2.1 Eligibility and Classification.

2.1.1 All persons interested in the vision, mission and purposes of THE ARC shall be eligible to become members of THE ARC.

2.1.2 Membership in THE ARC shall consist of general membership and employee membership, determined as follows:

2.1.2.1 All persons eligible to become members of THE ARC, other than employees of THE ARC Organizations, shall be eligible to become general members of THE ARC by payment of the dues stipulated by THE ARC. An individual general membership shall entitle the member to cast one vote on all matters submitted to the members for a vote.

2.1.2.2 Employees of THE ARC Organizations shall be eligible, and are encouraged, to become employee members of THE ARC.

Section 2.2 Rights of Membership.

2.2.1 General membership in THE ARC shall entitle the member to:

2.2.1.1 attend and participate in membership meetings, subject to such limitations as may be imposed by these bylaws or the Board of Directors;

2.2.1.2 vote on the election of officers and directors and all other matters submitted to the members for a vote;

2.2.1.3 serve on committees of the Board of Directors when appointed to do so;

2.2.1.4 hold any office when elected to the same;

2.2.1.5 receive the official publications of THE ARC; and

2.2.1.6 receive all benefits of membership in THE ARC and The Arc, Pennsylvania.

2.2.2 Employee membership in THE ARC shall entitle the member to all of the rights and privileges of general membership, except that employee members shall not be entitled to cast any vote at membership meetings, shall not be entitled to make motions at membership meetings and shall not be eligible to be officers or directors of THE ARC.

Section 2.3 Membership Dues. Annual membership dues shall be payable in an amount and in accordance with the policies and procedures established by the Board of Directors from time to time. Payment of any required dues may be waived by the President of THE ARC or by the affirmative vote of the Board of Directors when such waiver is deemed in the best interest of THE ARC. The failure of any member to pay any required dues, unless such payment has been duly waived, shall terminate all membership rights and privileges of the member failing to make such payment.

Section 2.4 Membership Meetings.

2.4.1 An annual meeting of the members of THE ARC shall be held in each calendar year at such time and such place as the Board of Directors shall determine.

2.4.2 Special meetings of the members of THE ARC may be called at any time by the Executive Committee or the Board of Directors.

2.4.3 Written notice of each meeting of the members of THE ARC, other than an adjourned meeting, stating the place and time and, in the case of a special meeting, the general nature of the business to be transacted, shall be given to each member of record in good standing at the address appearing on THE ARC's records as of the record date established by the Board of Directors with respect to such meeting. Such notice shall be given at least 30 days prior to the day named for the meeting and shall be deemed given when mailed. Provided that THE ARC then has at least 100 members of record, in lieu of written notice, notice of any meeting may be given by causing notice of the meeting to be officially published in a newspaper or newspapers that have an aggregate territory of general circulation that includes the addresses of record of at least 80% of the members of record.

2.4.4 The Board of Directors shall establish a record date for determining the members of THE ARC entitled to notice of and to vote at any meeting of the members. The record date shall be not less than 30 and not more than 70 days prior to the date of any such meeting. If the Board of Directors shall fail to establish a record date, the record date shall be the date which is 30 days prior to the date of the meeting.

2.4.5 Every member entitled to vote at a meeting of members, or to express consent or dissent to corporate action in writing without a meeting, may authorize another person or persons to act for him by proxy. No member shall sell his or her vote or issue a proxy for money or anything else of value. Every proxy shall be executed in writing by the member or his or her duly authorized attorney-in-fact and filed with the Secretary of THE ARC. A proxy shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the Secretary of THE ARC. An unrevoked proxy shall not be valid after eleven (11) months from the date of its execution unless a longer time is expressly provided therein, but in no event shall a proxy be voted on after three years from the date of its execution. A proxy shall not be revoked by the death or incapacity of the maker, unless before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the Secretary of THE ARC.

2.4.6 A meeting of members duly called shall not be organized for the transaction of business unless a quorum is present. The presence in person or by valid proxy of members entitled to cast at least twenty-three votes on a particular matter to be acted upon at the meeting shall constitute a quorum for purposes of consideration and action on such matter. The members present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough members to leave less than a quorum.

2.4.7 All agenda items for any meeting of the members, including the full text of any resolution to be submitted for a vote of the members, shall be submitted to the President at least 15 days prior to the date of such meeting. Notwithstanding the foregoing, any resolution which has been timely submitted for consideration as aforesaid may be amended and submitted for a vote as so amended during the meeting provided that the amendment reasonable relates to the resolution as originally proposed, in the judgment of the President. Any nomination duly made in accordance with the provisions of Sections 3.2 or 4.2 hereof shall be deemed to comply with this Section 2.4.7.

2.4.8 At any duly organized meeting of members the acts of members present in person or by proxy and entitled to cast at least a majority of the votes which all members present and voting are entitled to cast shall be the acts of the members. The election of directors need not be by ballot.

ARTICLE III

DIRECTORS

Section 3.1 Number and Qualifications. The number of directors shall be determined by the Board of Directors from time to time but shall not be less than twelve (12) nor more than twenty (20). The directors shall be divided into two classes, designated Cohort A and Cohort B, and each class shall be as nearly equal in number as possible. The term of office of the initial Cohort A directors shall end as of the date of the 1999 annual membership meeting; and the term of office of the initial Cohort B directors shall end as of the date of the 2000 annual membership meeting. At the 1999 annual membership meeting and at each annual membership meeting thereafter, that number of directors whose terms shall then expire shall be elected by the membership for a term of two years and until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal, such that approximately one-half of the directors shall be elected each year. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director. The President shall preside at all meetings of members and directors. Each director shall be a natural person of the age 18 years or older and need not be a resident of the Commonwealth of Pennsylvania. Notwithstanding the limitations set forth in the following sentences, the following persons shall serve as ex officio members of the Board of Directors: (i) each officer of THE ARC; (ii) each of the Presidents of Arc Advocacy Services, Marc Children's Services, and Marc Foundation, that is incumbent from time to time; and (iii) the Immediate Past President shall be an ex officio member of the Board of Directors for one year following the expiration of his or her term as President. Ex officio directors shall be voting directors. No director may serve for more than three consecutive terms or portions thereof; provided, however, that the term limitations provided by this sentence shall toll during any period that a director serves as an ex officio member of the Board of Directors. Any director who has served as a director for three consecutive terms or portions thereof shall not be eligible to serve as a director for a period of two years thereafter.

Section 3.2 Nomination of Directors. The Nominating Committee shall, in advance of each annual election of directors, submit for approval of the Board of Directors a slate of nominees

for election as directors of THE ARC, with the number of nominees to be equal to the number of directors whose terms shall expire at such meeting. After considering the recommendation of the Nominating Committee, the Board of Directors shall have final authority to determine the identity of its nominees for election as directors at the next annual meeting. Prior to submission of a slate of nominees to the Board of Directors, the Nominating Committee shall obtain the consent of each person to be nominated.

Section 3.3 Election of Directors. Except as provided in Section 3.1 and 3.5 of these Bylaws, directors shall be elected by the members. The candidates receiving the highest number of votes from the members entitled to elect directors up to the number of directors to be elected by the members shall be elected.

Section 3.4 Removal of Directors. The entire Board of Directors or any individual director may be removed from office without assigning any cause by the vote of the members entitled to cast at least a majority of the votes which all members present would be entitled to cast at any annual or other regular election of the directors or of such class of directors. The Board of Directors shall declare vacant the office of any director who has failed to attend more than 50% of the meetings of the Board of Directors within any twelve (12) month period. If any directors are so removed, new directors may be elected by the remaining directors at the same meeting. The Board of Directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of a felony, or if within sixty (60) days after notice of his or her election, the director does not accept such office either in writing or by attending a meeting of the Board of Directors, and fulfill such other requirements of qualification as these Bylaws may specify.

Section 3.5 Vacancies. Vacancies on the Board of Directors, including vacancies resulting from an increase in the number of directors, shall be filled by a majority vote of the remaining member(s) of the Board of Directors, though less than a quorum, and each person so elected shall be a director to serve for the balance of the unexpired term. When one or more directors resign from the Board of Directors effective at a future date, the directors then in office, including those who have so resigned, shall have the power by a majority vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 3.6 Power and Authority. The business and affairs of THE ARC shall be managed by the Board of Directors. The Board of Directors may exercise all such powers of THE ARC and do all such lawful acts and things as are directed or required to be exercised and done by statute, the Articles of Incorporation or these Bylaws; provided, however, that the Board of Directors may not engage directly or indirectly in any activity, that would invalidate THE ARC's status (1) as an organization of the type described in Section 501(c)(3) of the Code, or in the corresponding provision of any subsequent law or (2) as a corporation to which contributions are deductible under Section 170(c)(2) of the Code, or under the corresponding provision of any subsequent law.

Section 3.7 Committees.

3.7.1 The Board of Directors may, by resolution adopted by a majority of the directors in office, establish one or more committees consisting of one or more directors or members as may be deemed appropriate or desirable by the Board of Directors to serve at the pleasure of the Board. Except as otherwise provided in the Bylaws or in the resolution creating the applicable committee, committee chairpersons shall be appointed annually by the Board of Directors and may be reappointed to a committee for an unlimited number of terms. Except as otherwise provided in the Bylaws or in the resolution creating the applicable committee, committee members shall be appointed by the committee chairpersons annually, subject to approval by the President of THE ARC, and may be reappointed to a committee for an unlimited number of terms. Except as otherwise provided herein, persons who are not directors are eligible to serve as committee members. Any person authorized by these Bylaws to appoint the chairman and/or members of any committee may appoint himself or herself as chairman and/or member. The President shall be an ex officio member of all committees of the Board of Directors other than the Nominating Committee. The chairman of each committee shall determine the date and place of all committee meetings. Each committee may adopt its own rules of procedure not inconsistent with these Bylaws. Any committee, to the extent provided in the resolution of the Board of Directors pursuant to which it was created, shall have and may exercise all of the powers and authority of the Board of Directors, except that no committee shall have any power or authority as to the following:

- (i) The submission to members of any action requiring approval of members;
- (ii) The filling of vacancies in the Board of Directors;
- (iii) The adoption, amendment or repeal of these Bylaws;
- (iv) The amendment or repeal of any resolution of the Board of Directors; and
- (v) Action on matters committed by these Bylaws or a resolution of the Board of Directors to another committee of the Board of Directors.

3.7.2 The standing committees of the Board of Directors shall be the Executive, Finance, Personnel and Nominating.

3.7.3 Executive Committee. The Executive Committee shall have the full authority to exercise the powers of the Board of Directors to the extent permitted by law between meetings of the Board of Directors. The President, Vice President of External Affairs, Vice President of Internal Affairs, Secretary, Treasurer, Self Advocate and Immediate Past President shall be ex officio members of the Executive Committee. The Executive Committee shall be elected by the members. Only persons serving as directors of THE ARC may serve on the Executive Committee.

3.7.4 Finance Committee.

- (i) Number, Selection and Tenure. The Finance Committee shall be composed of nine (9) members appointed as follows: (a) the President of each of THE ARC, Arc Advocacy Services, Marc Children's Services, and Marc Foundation shall each appoint two (2) members, at least one (1) of whom is a member of that organization's Board of Directors and (b) the President of THE ARC shall appoint the chairperson. Subject to earlier termination by death, resignation or removal, each member of this Finance Committee shall remain on the committee until his/her successor is appointed and approved.
- (ii) Purpose and Functions. The Finance Committee shall:
 - (a) review and recommend to the Board of Directors the annual capital and operating budgets of THE ARC;
 - (b) perform audit functions, including but not limited to the following: selecting an independent auditor, reviewing the results of the audit with staff and the auditor; reviewing THE ARC's internal controls and procedures with the auditor; and recommending to the Board of Directors the appropriate action related to any or all of the above; and
 - (c) make recommendations to the Board of Directors concerning the handling of the fiscal affairs of THE ARC, and perform such other duties related to the fiscal matters as may be assigned to it by the Board of Directors from time to time.
- (iii) Meetings. The Finance Committee shall meet at the discretion of the chairperson of the committee, but at least quarterly. A quorum for conducting business at a meeting of the Finance Committee shall be no fewer than five (5) voting members.

3.7.5 Personnel Committee.

- (i) Number, Selection and Tenure. The Personnel Committee shall be a committee composed of nine (9) members appointed as follows: (a) the President of each of THE ARC, Arc Advocacy Services, Marc Children's Services, and Marc Foundation shall each appoint two (2) members, at least one (1) of whom is a member of that organization's Board of Directors and (b) the President of THE ARC shall appoint the chairperson. Subject to earlier termination by death, resignation, or removal, each member of this Personnel Committee shall remain on the committee until his/her successor is appointed and approved.

- (ii) Purpose and Functions. The Personnel Committee shall establish policies relating to the employment of staff and such employees' benefits, holidays and vacations and perform such other duties related to THE ARC's personnel matters as may be assigned to it by the Board of Directors from time to time.
- (iii) Meetings. The Personnel Committee shall meet at the discretion of the chairperson of the committee, but at least once per calendar year. A quorum for conducting business at a meeting of the Personnel Committee shall be no fewer than five (5) voting members.

3.7.6 Nominating Committee.

- (i) Number, Selection and Tenure. The Nominating Committee shall be composed of ten (10) members as follows: (a) no later than July 15 of each year, the Board of Directors of THE ARC, Arc Advocacy Services, Marc Children's Services, and Marc Foundation shall each appoint two (2) persons to serve as members, at least one of whom is a member of that organization's Board of Directors; (b) the President of THE ARC that is incumbent from time to time; and (c) the chairperson of the committee shall be the Immediate Past President of THE ARC. Subject to earlier termination by death, resignation or removal, each member of this Committee shall remain on the committee until his/her successor is appointed and approved.
- (ii) Purpose and Functions.
 - (a) Purpose. The Nominating Committee shall prepare slates for officers and directors for THE ARC in accordance with Sections 3.2 and 4.2 and, as described in the next paragraph, for the directors of Arc Advocacy Services, Marc Children's Services, and Marc Foundation. Each slate shall contain at least one nomination for each vacancy to be filled. In preparing the slate, the Nominating Committee shall consider Board balance and County-wide representation.
 - (b) Nomination Procedure - Directors for each of Arc Advocacy Services, Marc Children's Services, and Marc Foundation. The Nominating Committee shall prepare a slate of candidates for the directors for each of Arc Advocacy Services, Marc Children's Services, and Marc Foundation. The slate of candidates shall be mailed to the directors of THE ARC at least ten (10) days prior to the first meeting of the Board of Directors following the annual election of

directors of THE ARC at which meeting the election of the directors of Arc Advocacy Services, Marc Children's Services, and Marc Foundation will occur. In preparing the slate, the Nominating Committee may seek suggestions from members and directors of THE ARC, Arc Advocacy Services, Marc Children's Services, and Marc Foundation. No person's name shall be placed on the slate unless the Nominating Committee has obtained the consent of the person to be nominated. With respect to the directors of each corporation, in preparing the slate, the Nominating Committee shall consider, among other things, the necessary overlaps of directors between and among the various boards of directors.

- (iii) Meetings. The Nominating Committee shall meet at the discretion of the chairperson of the committee, as necessary to prepare appropriate slates. A quorum for conducting business at a meeting of the Nominating Committee shall be no fewer than five (5) voting members.

Section 3.8 Meetings.

3.8.1 A meeting of the Board of Directors may be held immediately following the annual meeting of members at which directors have been elected without the necessity of notice to the directors. Written notice of each meeting, other than a special meeting of the Board of Directors, stating the place and time of such meeting, shall be provided to each director at least five (5) days prior to the day named for the meeting.

3.8.2 Meetings of the Board of Directors shall be held at such times and places within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time appoint or as may be designated in the notice of the meeting. One or more directors may participate in any meeting of the Board of Directors, or of any committee thereof, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another. Participation in a meeting by such means shall constitute presence in person at the meeting.

3.8.3 Special meetings of the Board of Directors may be called by the President of THE ARC on one day's notice to each director, either by telephone or in writing. Special meetings shall be called by the President or Secretary in like manner and on like notice upon the written request of a majority of the directors in office.

3.8.4 At all meetings of the Board of Directors a majority of the directors in office shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors, except as may be otherwise specifically provided by statute or by the Articles of Incorporation or by these Bylaws.

Section 3.9 Action by Written Consent. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent or consents setting forth the action so taken signed by all of the directors in office is filed with the Secretary of THE ARC.

Section 3.10 Limitation of Liability of Directors.

3.10.1 A director of THE ARC shall stand in a fiduciary relation to THE ARC and shall perform his or her duties as a director, including his or her duties as a member of any committee of the Board of Directors upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interests of THE ARC, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his or her duties, a director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following: (a) one or more officers or employees of THE ARC whom the director reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such persons; or (c) a committee of the Board of Directors upon which he or she does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence. A director shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted.

3.10.2 In discharging the duties of their respective positions, the Board of Directors, committees of the Board of Directors and individual directors may, in considering the best interests of THE ARC, consider the effects of any action upon employees, suppliers and customers of THE ARC and communities in which offices or other establishments of THE ARC are located, and all other pertinent factors. The consideration of these factors shall not constitute a violation of Section 3.10.1 hereof.

3.10.3 Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a director or any failure to take any action shall be presumed to be in the best interests of THE ARC.

3.10.4 A director of THE ARC shall not be personally liable, as such, for monetary damages for any action taken, or any failure to take any action, unless: (a) the director has breached or failed to perform the duties of his or her office under Sections 3.10.1 through 3.10.3 hereof and (b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

3.10.5 The provisions of Section 3.10.4 hereof shall not apply to: (a) the responsibility or liability of a director pursuant to any criminal statute; or (b) the liability of a director for the payment of taxes pursuant to local, state or federal law.

3.10.6 The approval of the members shall be required to amend, repeal or adopt any provision as part of these Bylaws that is inconsistent with the purpose or intent of Sections 3.10.1, 3.10.2, 3.10.3, 3.10.4, 3.10.5 or 3.10.6 of this Section 3.10, and, if any such action shall be taken, it shall become effective only on a prospective basis from and after the date of such member approval.

Section 3.11 Director Conflict of Interest.

3.11.1 Identification. An actual or potential conflict of interest arises with respect to a Director when any of the following circumstances exists or is threatened:

- (i) a proposed transaction under consideration by the Board, or any ongoing business relationship, involves a Contracting Entity with respect to which there is an Interested Director; and
- (ii) an opportunity within the scope of activities of THE ARC could be exploited by the Director, the Director's Family Member, or a Contracting Entity with respect to which there is an Interested Director.

3.11.2 Procedure for Determining Whether a Conflict Exists.

- (i) Disclosure Statements. Each Director shall complete an annual Conflict of Interest Disclosure Statement, describing any connections of the Director or the Director's Family Member with a Contracting Entity. It is his or her duty to make a full, frank and fair disclosure of the circumstances giving rise to an actual or potential conflict of interest. Each Director is also obligated to file a supplementary Disclosure Statement if, during the year, there is any change in circumstances that alters or makes incomplete the information provided in the original Disclosure Statement. It shall be the responsibility of the President to review each of the Disclosure Statements and bring any perceived conflicts of interest to the attention of the Board of Directors.
- (ii) Additional Disclosure. If, during the course of a meeting of the Board of Directors, a Director is aware that he or she has or may have an actual or a potential conflict of interest in a matter under discussion, the Director shall immediately disclose the material facts about his or her interest in the matter to the Board of Directors. If, during the course of a meeting, the President or any Director believes that another Director has or may have an actual or potential conflict of interest in a matter under discussion, such person shall immediately make such concern known to the Board of Directors.
- (iii) Analysis of Conflict Issue. The determination of whether there is a conflict of interest in any particular circumstances shall be made by

the President. In the event that the question involves the President, the Vice President for External Affairs or ranking officer present shall make the decision regarding whether a conflict of interest exists. The review shall be subject to the following process:

- (1) Questioning of the Involved Director. It is the Involved Director's duty to respond fully and frankly to any questions from the President or other Directors relating to the actual or potential conflict of interest.
- (2) Exclusion of the Involved Director. At the President's direction, or upon motion and majority vote of the other Directors present (excluding the Involved Director), the Involved Director shall leave the Board meeting while the question of whether a conflict exists is discussed and, if a conflict is determined to exist, the Involved Director shall leave the Board meeting while the substantive issue which is the subject of the conflict is discussed and shall not vote on said substantive matter.
- (iv) Minutes. The minutes shall reflect (i) the disclosure of any alleged conflict; (ii) the determination as to whether an actual or potential conflict of interest exists; (iii) whether the Involved Director was excluded from the Board's deliberations on the conflict issue and/or the substantive issue; (iv) any abstention from voting; and (v) any action to be taken.

3.11.3 Definitions.

- (i) Contracting Entity. Any entity engaged in the delivery of products or services (e.g., legal, accounting, management, and billing and recordkeeping services) to or under contract with THE ARC.
- (ii) Interested Director. A Director who, or whose spouse or other family member residing in the same home ("Family Member"), (i) is an officer, director, employee or agent of a Contracting Entity or (ii) is the actual or beneficial owner of at least 5% of the outstanding stock or other ownership interest in a Contracting Entity.
- (iii) Involved Director. A Director who is implicated in an actual or potential conflict of interest.
- (iv) Protected Information. Any information about THE ARC which is acquired by a Director by virtue of being a Director, including

without limitation, information concerning the provision of services, finances, and institutional planning.

ARTICLE IV

OFFICERS

Section 4.1 Designation. THE ARC shall have a President, a Vice President for External Affairs, a Vice President for Internal Affairs, a Secretary, a Treasurer, a Self Advocate and an Immediate Past President and may have such other officers and assistant officers as the Board of Directors may authorize from time to time. Each officer shall be a natural person of the age 18 years or older. It shall be necessary for the officers to be directors.

Section 4.2 Nomination of Officers. The Nominating Committee shall, in advance of each annual election of officers, submit for approval of the Board of Directors a slate of nominees for election as officers of THE ARC. After considering the recommendation of the Nominating Committee, the Board of Directors shall have final authority to determine the identity of its nominees for election as officers at the next annual meeting. The Nominating Committee shall consider nominations submitted by any member; provided, however, that no person shall be eligible to be nominated as a candidate for election as an officer unless such candidate is a nominee of the Board of Directors or the member desiring to nominate such candidate has provided in writing to the Nominating Committee and the Secretary of THE ARC, not less than 60 days before the first anniversary of the preceding annual meeting of members, the name, age, mailing address and brief biographical background of such candidate. Prior to submission of a slate of nominees to the Board of Directors, the Nominating Committee shall obtain the consent of each person to be nominated.

Section 4.3 Election. Except as specified in these Bylaws, the officers shall be elected by the members. Each officer shall hold office for a term of one year and until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal. No officer may be elected to or serve for more than two consecutive terms in the same office.

Section 4.4 Resignation and Removal. Any officer may resign at any time upon written notice to the President, or in the case of a resignation by the President, the Vice President for External Affairs of THE ARC. The resignation shall be effective upon receipt thereof by THE ARC or at such subsequent time as may be specified in the notice of resignation. Any officer of THE ARC may be removed by the affirmative vote of a majority of the members of the Board of Directors at any time with cause and by the affirmative vote of at least 80% of the members of the Board of Directors without cause. Any such removal shall be without prejudice to the contract rights, if any, of any person so removed.

Section 4.5 Duties. In addition to the specific duties outlined below, each officer shall have such other authority and perform such other duties as may be assigned to such officer from time to time by the Board of Directors.

4.5.1 The President shall preside at all meetings of members, the Board of Directors and the Executive Committee. The President shall exercise general supervision of the affairs of THE ARC and shall see that such affairs are conducted in accordance with the Articles of Incorporation and Bylaws of THE ARC and pursuant to the directions of the Board of Directors. Unless otherwise provided by the Bylaws or a resolution of the Board of Directors, the President shall appoint the chairpersons of all committees of the Board of Directors. The President shall have the power to countersign all checks and vouchers on behalf of THE ARC, in which capacity the President shall share this duty with the Treasurer and shall have the authority to execute bonds, mortgages and other contracts requiring a seal, under the seal of THE ARC, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of THE ARC. The President shall prepare a report of the operations of THE ARC at the completion of his or her term of office and will present it to the Board of Directors. The Board of Directors reserves the right to assign duties to the Executive Director of THE ARC.

4.5.2 The Vice President for External Affairs shall assist the President in coordinating the activities of THE ARC that do not relate to internal operations, including overseeing the activities of the Governmental Affairs, Institutional Monitoring, Family Support Services, Education and Adult Services Committees of the Board of Directors and shall undertake such other responsibilities as are assigned from time to time by the President or the Board of Directors. The Vice President for External Affairs shall perform the duties of the President in the case of the absence or disability of the President.

4.5.3 The Vice President for Internal Affairs shall assist the President in coordinating the activities of THE ARC that relate to internal operations, including overseeing the activities of the Finance, Long Range Planning, Development and Membership Committees of the Board of Directors and shall undertake such other responsibilities as are assigned from time to time by the President or the Board of Directors.

4.5.4 The Secretary shall attend all meetings of the Board of Directors and the members and shall keep accurate records thereof in a minute book kept for that purpose. The Secretary shall also give, or cause to be given, the required notice of all meetings of the Board of Directors or the members and shall perform such other duties as are assigned from time to time by the Board of Directors or the President.

4.5.5 The Treasurer shall have custody of all funds of THE ARC and shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books belonging to THE ARC. The Treasurer shall deposit, or cause to be deposited, all funds of THE ARC in such accounts as shall be designated by the Board of Directors; shall disburse the funds as may be ordered by the Board of Directors upon receipt of any required vouchers and shall render to the President and the Board of Directors, at the regular meetings of the Board of Directors or at any time upon reasonable request, an account of all transaction as Treasurer and of the financial condition of THE ARC. The Treasurer shall also perform such other duties as are assigned from time to time by the Board of Directors or the President.

4.5.6 The Self Advocate shall be a person with a developmental disability who shall be responsible for advising the Board of Directors, its committees and the members generally regarding matters that directly affect persons with developmental disabilities. The Self Advocate shall also perform such other duties as are assigned from time to time by the Board of Directors or the President.

Section 4.6 Vacancies. In the event of any vacancy in any office, other than a vacancy in the office of the President (which shall be filled by the Vice President for External Affairs as noted above), the Board of Directors shall elect a new candidate to fill such vacancy, such candidate to serve until the next Annual Meeting of members and until his or her successor is duly elected.

ARTICLE V

FINANCIAL MATTERS

Section 5.1 Fiscal Year. The fiscal year of THE ARC shall run from July 1 through June 30.

Section 5.2 Budget. The Board of Directors shall adopt a balanced budget for each fiscal year after receiving a recommendation from the Finance Committee. The Finance Committee shall use its best efforts to submit such a budget in a timely fashion to permit its adoption prior to the commencement of the fiscal year or as promptly as practicable after the commencement of such fiscal year.

Section 5.3 Audit. An audit of the financial statements of THE ARC shall be conducted each year by independent certified public accountants. A copy of the audited financial statements and the auditors report thereon shall be furnished to each director of THE ARC and, upon written request therefore, to each member of THE ARC.

ARTICLE VI

AMENDMENTS

Section 6.1 Member Action. These Bylaws may be amended or repealed, and new Bylaws adopted, by the affirmative vote of members entitled to cast at least a majority of the votes which all members present are entitled to cast thereon at any regular or special meeting duly convened after written notice to the members that the purpose, or one of the purposes, of the meeting is to consider the amendment or repeal of these Bylaws and the adoption of new Bylaws.

Section 6.2 Director Action. Except with respect to the matters described in Section 3.10 and Section 7 hereof, and except as provided in Section 5504(b) of the Pennsylvania Non-Profit Corporation Law of 1988, these Bylaws may be amended or repealed, and new Bylaws adopted, by a

majority vote of the members of the Board of Directors at any regular or special meeting duly convened, subject to the power of the members to change such action of the Board of Directors.

ARTICLE VII

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

Section 7.1 THE ARC shall indemnify any director or officer, and may indemnify any other employee or agent, who was or is a party to, or is threatened to be made a party to, or who is called as a witness in connection with, any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of THE ARC, by reason of the fact that he or she is or was a director, officer, employee or agent of THE ARC, or is or was serving at the request of THE ARC as a director, officer, employee or agent of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him or her in connection with such action, suit or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of THE ARC, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 7.2 THE ARC shall indemnify any director or officer, and may indemnify any other employee or agent, who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action or suit by or in the right of THE ARC to procure a judgement in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of THE ARC or is or was serving at the request of THE ARC as a director, officer, employee or agent of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of THE ARC and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to THE ARC unless and only to the extent that the court of common pleas of the county in which the registered office of THE ARC is located or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

Section 7.3 The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of members or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office. It is the policy of THE ARC that indemnification of, and advancement of expenses to, directors and officers of THE ARC shall be made to the fullest extent permitted by law. To this end, the provisions of this Article VII shall be

deemed to have been amended for the benefit of directors and officers of THE ARC effective immediately upon any modification of the Nonprofit Corporation Law of 1988 ("NPCL") or any modification, or adoption of any other law that expands or enlarges the power or obligation of corporations organized under the NPCL to indemnify, or advance expenses to, directors and officers of corporations.

Section 7.4 THE ARC shall pay expenses incurred by an officer or director, and may pay expenses incurred by any other employee or agent, in defending an action, or proceeding referred to in this Article VII in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by THE ARC.

Section 7.5 The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent of THE ARC and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 7.6 THE ARC shall have the authority to create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner, its indemnification obligations, whether arising under these Bylaws or otherwise. This authority shall include, without limitation, the authority to: (i) deposit funds in trust or in escrow; (ii) establish any form of self-insurance; (iii) secure its indemnity obligation by grant of a security interest, mortgage or other lien on the assets of THE ARC; or (iv) establish a letter of credit, guaranty or surety arrangement for the benefit of such persons in connection with the anticipated indemnification or advancement of expenses contemplated by this Article VII. The provisions of this Article VII shall not be deemed to preclude the indemnification of, or advancement of expenses to, any person who is not specified in Section 7.1 or Section 7.2 of this Article VII but whom THE ARC has the power or obligation to indemnify, or to advance expenses for, under the provisions of the NPCL or otherwise. The authority granted by this Section 7.6 shall be exercised by the Board of Directors of THE ARC.

Section 7.7 THE ARC shall have the authority to enter into a separate indemnification agreement with any officer, director, employee or agent of THE ARC or any subsidiary providing for such indemnification of such person as the Board of Directors shall determine up to the fullest extent permitted by law.

Section 7.8 As soon as practicable after receipt by any person specified in Section 7.1 or Section 7.2 of this Article VII of notice of the commencement of any action, suit or proceeding specified in Section 7.1 or Section 7.2 of this Article VII, such person shall, if a claim with respect thereto may be made against THE ARC under Article VII of these Bylaws, notify THE ARC in writing of the commencement or threat thereof; however, the omission so to notify THE ARC shall not relieve THE ARC from any liability under Article VII of these Bylaws unless THE ARC shall have been prejudiced thereby or from any other liability which it may have to such person other than under Article VII of these Bylaws. With respect to any such action as to which such person notifies THE ARC of the commencement or threat thereof, THE ARC may participate therein at its own expense and, except as otherwise provided herein, to the extent that it desires, THE ARC, jointly

with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof, with counsel selected by THE ARC to the reasonable satisfaction of such person. After notice from THE ARC to such person of its election to assume the defense thereof, THE ARC shall not be liable to such person under Article VII of these Bylaws for any legal or other expenses subsequently incurred by such person in connection with the defense thereof other than as otherwise provided herein. Such person shall have the right to employ his or her own counsel in such action, but the fees and expenses of such counsel incurred after notice from THE ARC of its assumption of the defense thereof shall be at the expense of such person unless: (i) the employment of counsel by such person shall have been authorized by THE ARC; (ii) such person shall have reasonably concluded that there may be a conflict of interest between THE ARC and such person in the conduct of the defense of such proceeding; or (iii) THE ARC shall not in fact have employed counsel to assume the defense of such action. THE ARC shall not be entitled to assume the defense of any proceeding brought by or on behalf of THE ARC or as to which such person shall have reasonably concluded that there may be a conflict of interest. If indemnification under Article VII of these Bylaws or advancement of expenses are not paid or made by THE ARC, or on its behalf, within 90 days after a written claim for indemnification or a request for an advancement of expenses has been received by THE ARC, such person may, at any time thereafter, bring suit against THE ARC to recover the unpaid amount of the claim or the advancement of expenses. The right to indemnification and advancements of expenses provided hereunder shall be enforceable by such person in any court of competent jurisdiction. The burden of proving that indemnification is not appropriate shall be on THE ARC. Expenses reasonably incurred by such person in connection with successfully establishing the right to indemnification or advancement of expenses, in whole or in part, shall also be indemnified by THE ARC.

Section 7.9 THE ARC shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of THE ARC, or is or was serving at the request of THE ARC as a director, officer, employee or agent of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not THE ARC would have the power to indemnify him or her against such liability under the provisions of this Article VII.

Section 7.10 The approval of the members shall be required to amend, repeal or adopt any provision as part of these Bylaws which is inconsistent with the purpose or intent of this Article VII, and, if any such action shall be taken, it shall become effective only on a prospective basis from and after the date of such member approval.

ARTICLE VIII

RESERVED POWERS

Section 8.1 Reserved Powers. Pursuant to the Bylaws of each of Arc Advocacy Services, Marc Children's Services, and Marc Foundation, THE ARC has the following exclusive rights and powers with respect to such corporations:

- (i) to approve capital and operating budgets and amendments thereto;
- (ii) to approve any unbudgeted expenditure exceeding 10% of any line item in capital or operating budgets;
- (iii) to approve, prior to effectiveness, any and all amendments to the Bylaws;
- (iv) to elect all directors and the President and to remove any director or officer at any time, from time to time, with or without cause;
- (v) to make all decisions with respect to the employment or termination of the Executive Director;
- (vi) to designate the corporate offices;
- (vii) to approve, prior to effectiveness, any amendment to the Articles of Incorporation;
- (viii) to approve any merger, consolidation, sale of assets, division, conversion or dissolution; or
- (ix) to approve any other action that would require the approval of the membership of a Pennsylvania nonprofit corporation that had members.