



Association of Educational Purchasing Agencies, Inc.

(AEPA)

BOARD POLICIES

Association of Educational Purchasing Agencies, Inc.

(AEPA) BOARD POLICIES

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Association of Educational Purchasing Agencies, Inc.

(AEPA)

BOARD POLICIES

ADOPTED July 27, 2007

ARTICLE 1. Conflict of Interest and Disclosure Policy

SECTION 1.1 Purpose

The purpose of the conflict of interest policy is to protect the tax exempt interest of the Association of Educational Purchasing Agencies, Inc. (AEPA) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or Director of AEPA or might result in a possible excess benefit transaction. These policies are intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

SECTION 1.2 Definitions

1.2.1. Interested Person

Any Director, Officer or Member of a Committee with Board of Directors (Board) delegated powers, which has a direct or indirect financial interest, as defined below, is an interested person.

1.2.2. Financial Interest

A person has financial interest if the person has, directly or indirectly, through business, investment, or family:

1.2.2.1. Ownership or Investment Interest

An ownership or investment interest in any entity with which AEPA has a transaction or arrangement,

1.2.2.2. Compensation Arrangement

A compensation arrangement with AEPA or with any entity or individual with which AEPA has a transaction or arrangement, or

1.2.2.3. Potential Ownership or Investment Interest

A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which AEPA is negotiating a transaction or arrangement.

1.2.3. Compensation

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

1.2.4. Conflict of Interest

A financial interest is not necessarily a conflict of interest. Under Section 1.3.2., a person who has a financial interest may have a conflict of interest only if the appropriate Board or Committee decides that a conflict of interest exists.

SECTION 1.3 Procedures

1.3.1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Board and Members of Committees with Board delegated powers considering the proposed transaction or arrangement.

1.3.2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board of Directors or Committee Meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or Committee Members shall decide if a conflict of interest exists.

1.3.3. Procedures for Addressing the Conflict of Interest

1.3.3.1. Presentations

An interested person may make a presentation at the Board or Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of and the vote on the transaction or arrangement involving the possible conflict of interest.

1.3.3.2. Appointment

The President of the Board or Chairperson of the Committee shall, if appropriate, appoint a disinterested person or Committee to investigate alternatives to the proposed transaction or arrangement.

1.3.3.3. Determination

After exercising due diligence, the Board or Committee shall determine whether AEPA can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

1.3.3.4. Voting

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or Committee shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in the AEPA's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination the Board shall make its decision as to whether to enter into the transaction or arrangement.

1.3.4. Violation of the Conflicts of Interest Policy

1.3.4.1. Reasonable Cause

If the Board or Committee has reasonable cause to believe a Director or Committee Member has failed to disclose actual or possible conflicts of interest, it shall inform the Member of the basis for such belief and afford the Director or Committee Member an opportunity to explain the alleged failure to disclose.

1.3.4.2. Determination

If, after hearing the Director or Committee Member's response and after making further investigation as warranted by the circumstances, the Board or Committee determines the Director or Committee Member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

SECTION 1.4 Records of Proceedings

1.4.1. Minutes

The minutes of the Board and all Committees with Board delegated powers shall:

1.4.1.1. Include Persons with Financial Interests

The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board or Committee's decision as to whether a conflict of interest in fact existed.

1.4.1.2. Include Persons Involved in Discussions and Voting

The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

SECTION 1.5 Compensation

1.5.1. Director of the Board

A Director of the Board who receives compensation, directly or indirectly, from AEPA for services is precluded from voting on matters pertaining to that Director's compensation.

1.5.2. Committee Member

A voting Committee Member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from AEPA for services is precluded from voting on matters pertaining to that Committee Member's compensation.

1.5.3. Providing Compensation Information

Any Director of the Board or any Committee Member whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from AEPA, either individually or collectively, is prohibited from providing information to any Committee regarding compensation.

SECTION 1.6 Conflict of Interest Affirmation

Each Director, Officer, Committee Member of a Committee with Board delegated powers and Key Staff shall annually sign a statement which affirms such person:

1.6.1. Received Conflict of Interest Policy

Has received a copy of the *AEPA Conflict of Interest Policy*

1.6.2. Read and Understands *AEPA Conflict of Interest Policy*

Has read and understands the *AEPA Conflict of Interest Policy*

1.6.3. Agreed with Conflict of Interest Policy

Has agreed to comply with the *AEPA Conflict of Interest Policy*, and

1.6.4. Federal Tax Exemption

Understands AEPA is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

SECTION 1.7 Periodic Reviews

1.7.1. Validate Tax-Exempt Status

To ensure AEPA operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1.7.1.1. Reasonable Compensation

Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.

1.7.1.2. Conformation

Whether partnerships, joint ventures, and arrangements with management organizations conform to AEPA's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

SECTION 1.8 Use of Outside Experts

1.8.1. Board of Directors Responsibility

When conducting the periodic reviews as provided for in Section 1.7.1., AEPA may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

ARTICLE 2. Self – Dealing Policy

SECTION 2.1 Purpose

The Internal Revenue Code (the “Code”) and Treasury Regulations prohibit a charitable organization from engaging in acts of “self-dealing” with Disqualified Persons. “Disqualified Persons” with respect to AEPA include: Trustees, Officers, and persons having similar powers or responsibilities with respect to AEPA (“Members”), family members of Members, and any corporation, partnership, trust or estate in which a Member has more than 35% of the voting power, profits interest (in a partnership), or beneficial interest (in a trust or estate).

SECTION 2.2 Disqualified Persons

Disqualified Persons are prohibited from entering into the following types of transactions under the self-dealing regulations:

2.2.1. Property

Sale, exchange, or leasing of property between AEPA and any Disqualified Person;

2.2.2. Lending of Money

Lending of money or other extension of credit between AEPA and a Disqualified Person, other than the lending of money by a Disqualified Person to AEPA without interest or other charge, so long as the loan proceeds are used exclusively for charitable purposes;

2.2.3. Furnishing of Goods

Furnishing of goods, services or facilities between AEPA and a Disqualified Person, other than the furnishing of goods, services or facilities by a Disqualified Person to AEPA without charge so long as the goods, services or facilities are used exclusively for charitable purposes;

2.2.4. Compensation and Reimbursement

Payment of compensation or reimbursement of expenses by AEPA to a Disqualified Person, other than the payment of compensation and the payment or reimbursement of expenses by AEPA to a Disqualified Person for personal services that are reasonable and necessary to carrying out the tax-exempt purposes of AEPA, so long as the compensation, payment, or reimbursement is not excessive;

2.2.5. Transfer of Income or Assets

Transfer to, or use by or for the benefit of a Disqualified Person of the income or assets of AEPA.

SECTION 2.3 Transactions Involving Disqualified Persons

Prior to entering into any contract or other transaction involving a Disqualified Person (excluding any Directors who have a conflict of interest), the Board will review the proposed transaction to determine whether the contract or transaction would result in a violation of the prohibition against self-dealing. In making this determination, it is irrelevant whether a particular act or transaction would result in a benefit or a detriment to AEPA.

SECTION 2.4 Acceptance of Contract

AEPA shall be authorized to enter into the proposed contract if the Board makes an affirmative determination that it does not violate the self-dealing policy and the transaction is approved by a majority vote of the Board (excluding Board Members who have a conflict of interest).

ARTICLE 3. Compensation of Key Employees Policy

SECTION 3.1 Charitable Organizations

Charitable Organizations are permitted under current law to pay reasonable compensation for services provided by chief executive officers and other staff. Reasonable compensation is defined as the amount that would ordinarily be paid for like services by comparable enterprises under the same circumstances.

SECTION 3.2 Reasonable Compensation

Reasonable compensation shall be determined by the Board or a Committee designated for that purpose. In making its determination, the Board or Committee designated for that purpose shall endeavor to review and consider any or all of the following sources of information.

SECTION 3.3 Determination of Reasonable Compensation

3.3.1. Similarly Situated Organizations

Compensation paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions;

3.3.2. Similar Services

Availability of similar services in the geographic area;

3.3.3. Current Compensation Surveys

Current compensation surveys compiled by independent firms;

3.3.4. Written Offers

Written offers from similar organizations competing for the Disqualified Person;

3.3.5. Open and Competitive Bidding Process

Offers received as part of an open and competitive bidding process.

SECTION 3.4 Review of Compensation

Such compensation determination shall be reviewed at least annually to ensure that such compensation remains fair and reasonable.

ARTICLE 4. Disclosure Statement

This Disclosure Statement is designed to assist Directors, Officers, Committee Member of a Committee with Board Powers and Key Staff members of the Association of Educational Purchasing Agencies in meeting their ongoing responsibility to disclose business or personal interests that may create a conflict of interest. Part A of the Disclosure Statement contains an acknowledgment that you have received a copy of the Association of Educational Purchasing Agencies Board Policies, have read them, understand them, and agree to comply with them.

Part B of the Disclosure Statement requests a list of all entities in which you or a Family Member have a substantial involvement, including as Director, or Officer, and all entities that do or may do business with the Association of Educational Purchasing Agencies in which you or a Family Member have an economic interest.

Part A

I hereby acknowledge that I have received a copy of the Association of Educational Purchasing Agencies Board Policies that contain the Conflict of Interest and Disclosure Policy, the Self-Dealing Policy, the Compensation of Key Employees Policy and this Disclosure Statement and that I have read them and understand them. I hereby agree to abide by and comply with the policies and procedures contained in them.

Dated: _____

Signature

Part B

In the space below, please list all entities that currently do business with the Association of Educational Purchasing Agencies, or which you anticipate will seek to do business with the Association of Educational Purchasing Agencies within the next 12 months (e.g., as vendors, service providers, or as grantees) (1) in which you, or a family member, serve as a Director, Officer, Committee Member, Key Staff Member, Major Donor or; (2) in which you or a family member have an economic interest (as an owner, shareholder, member, partner, investor, employee, or otherwise). "Family Member" is defined as (1) a spouse and the parents thereof; (2) children, including adopted children, and the spouses thereof; and (3) any individual who is related by blood or affinity.

(1) Entities in which you or a Family Member have a relationship such as: Director, Trustee, Officer, Committee Member, Key Staff Member, Major Donor. (List should include name of Family Member [if relevant], name of entity, and position held).

(2) Entities in which you or a Family Member have an economic interest. (List should include name of Family Member [if applicable], name of entity, and position held).

ARTICLE 5. Adoption, Amendments and Precedence

SECTION 5.1 Adoption

These Board Policies were initially adopted July 27, 2007.

SECTION 5.2 Amendments

These Board Policies may be amended, altered, added to or repealed by the affirmative vote of the majority of the total membership, providing the amendments, alterations, additions or repeal are proposed at the annual, regular, or special meeting of the Board and adopted at a subsequent meeting.

SECTION 5.3 Precedence

The Board Policies shall take precedence over the AEPA Procedures. The Articles of Incorporation and Bylaws shall take precedence over these Board Policies.

I hereby certify that the foregoing Board Policies of the Association of Educational Purchasing Agencies, Inc., a Nevada Corporation, consisting of 13 pages, are the Board Policies of this Corporation, adopted by its Board of Directors on July 27, 2007.

Secretary

ATTEST:

President

STATE OF INDIANA)
)
COUNTY OF CLARK)

On this _____ day of _____ in the year 2007 before me personally appeared Max Luft and Pam Clover, to me known to be (or proven to me on the basis of satisfactory evidence) the persons named in, and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

Notary Public

My Commission Expires:
