## EMPLOYMENT OF RELATIVES

Nothing in the League's equal employment opportunity policy is intended to be interpreted as preventing the reasonable regulation of nepotism for reasons of supervision, safety, security or morale.

Generally, employees' relatives will be eligible for employment with the League as long as no conflicts in supervision, safety, security or morale, or potential conflicts of interest exist. For purposes of this policy, "relative" includes parent, grandparent, child, spouse, brother, sister, in-laws, and step relationships.

In the event a current employee becomes closely related to another current employee, Executive Management will attempt, if practical, to separate the employees by assignment and supervision. After such separation, any effort by a relative to affect the terms and conditions of employment of his or her relative would be considered improper. If Executive Management determines that the separation would not be practical, they will review the employment records, assignments, and related matters pertaining to the employees to determine whether to exercise discretion to make an exception to this policy. Any such exception should be understood to be a temporary accommodation of current employees and not a precedent for deviating from this policy. If, in the view of Executive Management, a conflict exists which cannot be resolved, only one of the employees will be permitted to remain with the League. The decision as to which relative will be allowed to remain will be made by Executive Management after consideration of the circumstances and consultation with the affected employees.

The Executive Director/CEO will notify the board within a reasonable time anytime a conflict under this policy is reported or identified.

## COMPENSATION REVIEW POLICY

Compensation analysis and review for Executive Staff should be conducted by the Executive Board or a delegated committee of the Board referred to as the "Approval Body" no less than every four (4) years. In reviewing and approving the compensation of Executive Management, the KLC Executive Board or Approval Body will utilize the following process:

1. Impartial Decision Makers. The compensation arrangement must be approved in advance (before any payment is made) by the Approval Body composed entirely of individuals who do not have a conflict of interest with respect to the compensation arrangement (example: neither the executive whose compensation is being determined nor any of his/her family members may be present during the discussion/debate or participate in the vote).

2. Comparability Data. When the Approval Body is considering compensation to Executive Staff, it must rely on comparability data that demonstrate the fair market value of the compensation in question. For example, when crafting compensation packages, the Approval Body must secure data that documents compensation levels for similarly qualified individuals in like positions at like organizations. This data will be compiled and obtained by expert compensation studies by independent firms.

3. Concurrent Documentation. The Approval Body must document how it reached its decisions, including the data on which it relied. To qualify as concurrent documentation, written or electronic records of the Approval Body (such as meeting minutes) must note:
a) the terms of the compensation and the date it was approved;
b) the members of the Approval Body who were present during the debate on the compensation that was approved and those who voted on it;
c) the comparability data obtained and relied upon and how the data were obtained; and
d) any actions taken with respect to consideration of the compensation by anyone who is otherwise a member of the Approval Body but who had a conflict of interest with respect to the decision on the compensation.

The Executive Director/CEO may present recommendations for compensation adjustments for Executive Staff, excluding his or her own compensation, for consideration and approval by the Approval Body.

The Executive Director/CEO is responsible for evaluating and establishing compensation for all employees not covered under this policy. Compensation information for all employees, including full-time contract employees, will be made available to the Approval Body upon request.

## ALCOHOL REIMBURSEMENT

Alcohol expenses, within reason, in the course of an official KLC-sponsored reception, party, conference or event are an acceptable business expense. While not encouraged, alcohol is a reimbursable expense in reasonable and customary business settings for meetings and group functions with KLC guests in accordance with this subsection. All expenditures of alcohol should be pre-approved by Executive Management. Only funds from private contributions will be used to reimburse expenses for alcohol.

## ASSIGNMENT OF COMPANY CARS

When economically feasible and in the best interest of KLC, employees may be assigned company cars which they will keep and maintain for business and personal use during the time of assignment. KLC may, at its discretion, remove company car privileges and otherwise change work requirements for any employee.

All full-time employees with positions that require business driving, who hold a driver’s license valid in Kentucky, and who have a good driving record, as determined by KLC

Executive Management review, are eligible to drive a company car or be considered for assignment of a company car. With the exception of the employee's spouse or another employee, any employee who has been assigned a company automobile may not give permission to any other person to drive the assigned car. Violation of this provision will subject the employee to disciplinary action.

To be eligible for assignment of a company car, an employee's position must (1) require business travel of at least 1,000 miles per month and the assignment of a company car will provide economic benefit to KLC as determined by a benefit/cost analysis submitted to the KLC Finance Committee and approved by the Executive Board, or (2) be specified by the Executive Board as a position for which assignment of a company car is considered part of an employee's compensation package.

With regard to assignments made on the basis of the number of miles of required business travel, employees must qualify for assignment of a car initially, and must re-qualify on an annual basis.

The amount of business travel required by an employee's position will be determined based on mileage logs maintained and submitted by each such employee during the twelve months prior to the time of qualification or re-qualification. In the event the position is newly-created, or that the incumbent is newly-employed in such position, KLC Executive Management will estimate the amount of travel required during the first six months of such employment, and will perform the initial qualification on that basis.

**Mileage Logs**

Each employee driving a company car shall maintain a log of his or her business travel, which records each trip's purpose and the odometer reading at the beginning and end of each trip. The log shall be submitted quarterly to the Accounting Department.

**Personal and Business Use**

Personal use: Personal miles shall not be reported. KLC and its employees will comply with IRS definitions. Travel from the employee's home to KLC's office or from KLC's office to the employee's home is considered to be commuting miles and is not to be reported as business mileage.

Business use: All mileage that is not defined as personal use mileage is business use mileage. This includes:

• Mileage between an employee's home and temporary work locations or between a temporary work location and home.
• Travel between work locations — either temporary locations or regular locations.

An employee to whom a company car is assigned will not be reimbursed for mileage for use of their personal car for business travel, except in extraordinary circumstances, with his or her supervisor's approval.

**Personal Use Fee**

The personal use fee is an assessment for an employee's use of a company car for non-KLC-business reasons. It reflects a reasonable sharing of the expenses including maintenance and gas for personal use, based on the average lease value of the car and the ratio of KLC-business use mileage to personal use mileage.

The personal use fee will be reviewed annually, or more frequently at KLC's discretion. Employees shall be notified at least 15 calendar days in advance of the effective date of any change in the personal use fee.

The personal use fee is paid through payroll deduction. When an employee is assigned and accepts a company car, he or she must authorize the personal use payroll deduction by completing and submitting a Personal Use Payroll Deduction form to the Accounting Department. No assigned vehicle may be used until the form is completed and submitted.

A new Personal Use Payroll Deduction form must be completed and submitted by the employee whenever there is a modification of the personal use fee. When an employee discontinues using a company car, the employee must authorized discontinuance of the personal use payroll deduction by completing and submitting to the Accounting Department a Personal Use Payroll Deduction form showing a deduction of "0".

**Reporting of Mileage**

Quarterly KLC-business use mileage and personal use mileage must be reported within fifteen (15) business days after the start of the following quarter by submitting the employee's mileage log to the Accounting Department. Each trip is to be shown as a separate entry. Trips between home and the office are to be listed individually. Beginning and ending mileage readings are required on each line.

Failure to report this information in a timely manner may result in the treatment of mileage as 100% personal use. The employee may be liable for additional taxes as a result, and may be required to reimburse KLC for use of the car, and/or may be required to relinquish the car until completed mileage reports are submitted.

**IRS Fringe Benefit Regulations**

IRS regulations require tracking of business-use mileage and personal-use mileage of all company-provided cars. Accurate and timely reporting of business mileage and operating expenses is mandatory.

For purposes of establishing a value for personal use, KLC uses the annual lease value rule, based on the purchase price of the company vehicle as permitted under IRS regulations. KLC may change the basis of valuation at any time. Employees shall be notified at least 15 calendar days in advance of the effective date of any such change. Because the personal use fee is intended to cover the full value of personal use, an employee would not have any income attributed to him or her for the value of a reasonable amount of personal use. However, in the event a driver has inordinately high personal mileage or fails to submit accurate mileage reports as described above, KLC will withhold FICA and Medicare taxes based on the imputed income. The taxable amount will be reported on the employee's W-2 tax form at year-end.

**Maintenance, Inspection and Repairs**

The employee is responsible for ensuring that routine maintenance on the vehicle, as specified in the owner's manual, and as KLC may specify in writing, is performed at the intervals specified in such documents. Service other than routine maintenance must be performed at the service center of a dealer for the vehicle, or as otherwise directed in writing by KLC.

**Replacement Policy and Car Return Upon Separation from Employment**

Vehicles in the company car fleet will be replaced at KLC's discretion. An assigned car shall be turned in no later than the last day of employment. The terminated employee shall not continue use of the car under any circumstances.

**Title, License and Taxes**

KLC will arrange for license plates, registration certificates, and insurance cards. KLC pays local property taxes. The employee should not receive a tax bill.